

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 12 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-37945

FlexShopper

FLEXSHOPPER, INC.

(Exact name of Registrant as specified in its charter)

Delaware

20-5456087

(State of jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

2700 North Military Trail, Ste. 200
Boca Raton, FL

33431

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (855) 353-9289

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$0.0001 Par Value

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer:

Accelerated Filer:

Non-accelerated Filer:

Smaller Reporting Company:

(Do not check if a smaller reporting company)

Emerging Growth Company:

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately \$12,162,748 (based on the closing price of the Registrant's Common Stock on June 30, 2017 of \$4.40 per share).

The number of shares outstanding of the Registrant's Common Stock, as of March 8, 2018, was 5,294,501.

Documents incorporated by reference: The Registrant intends to file a definitive proxy statement pursuant to Regulation 14A within 120 days after the end of the fiscal year ended December 31, 2017. Portions of such proxy statement are incorporated by reference into Part III of this Form 10-K.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the “safe harbor” created by those sections. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of forward-looking terms such as “believe,” “expect,” “may,” “will,” “should,” “could,” “would,” “seek,” “intend,” “plan,” “goal,” “project,” “estimate,” “anticipate” “strategy,” “future,” “likely” or other comparable terms and references to future periods. All statements other than statements of historical facts included in this Annual Report on Form 10-K regarding our strategies, prospects, financial condition, operations, costs, plans and objectives are forward-looking statements. Examples of forward-looking statements include, among others, statements we make regarding: the expansion of our lease-to-own program; expectation concerning our partnerships with retail partners; investments in, and the success of, our underwriting technology and risk analytics platform; our ability to collect payments due from customers; expected future operating results and; expectations concerning our business strategy.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- our limited operating history, limited cash and history of losses;
- our ability to obtain adequate financing to fund our business operations in the future;
- the failure to successfully manage and grow our FlexShopper.com e-commerce platform;
- our ability to maintain compliance with financial covenants under our credit agreement;
- our dependence on the success of our third-party retail partners and our continued relationships with them;
- our compliance with various federal, state and local laws and regulations, including those related to consumer protection;
- the failure to protect the integrity and security of customer and employee information; and
- the other risks and uncertainties described in the Risk Factors and in Management’s Discussion; and Analysis of Financial Condition and Results of Operations sections of this Annual Report on Form 10-K.

Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

PART I

Item 1. Business

INTRODUCTION

FlexShopper, Inc. (“we,” “us,” “our,” “FlexShopper” or the “Company”) is a corporation organized under the laws of the State of Delaware in 2006 with its common stock trading on the Nasdaq Capital Market under the symbol “FPAY.” On October 16, 2013, we changed our corporate name from Anchor Funding Services, Inc. to FlexShopper, Inc. FlexShopper owns 100% of FlexShopper, LLC, a limited liability company organized under the laws of North Carolina in 2013. Since the sale of the assets of Anchor Funding Services LLC, which sale was completed in a series of transactions between April and June 2014, FlexShopper is a holding corporation with no operations except for those conducted by FlexShopper, LLC. FlexShopper, LLC wholly owns, directly or indirectly, two Delaware subsidiaries, FlexShopper 1, LLC and FlexShopper 2, LLC. All references to our business operations refer to FlexShopper, LLC and its wholly-owned subsidiaries, unless the context indicates otherwise.

Since December 2013, we have developed a business that focuses on improving the quality of life of our customers by providing them the opportunity to obtain ownership of high-quality durable products, such as consumer electronics, home appliances, computers (including tablets), smartphones and furniture (including accessories), under affordable payment lease-to-own (“LTO”) purchase agreements with no long-term obligation, including through an extensive online experience. Our customers can acquire well-known brands such as Samsung, Frigidaire, Hewlett-Packard, LG, Whirlpool, Simmons, Philips, Ashley, Apple and more. We believe that the introduction of FlexShopper’s LTO programs support broad untapped expansion opportunities within the U.S. consumer e-commerce and retail marketplaces. We have successfully developed and are currently processing LTO transactions using our “LTO Engine,” FlexShopper’s proprietary technology that automates the process of consumers receiving spending limits and entering into leases for durable goods to within seconds. The LTO Engine is the basis for FlexShopper’s primary sales channels, which include business to consumer (“B2C”) and business to business (“B2B”) channels, as described in further detail below. Concurrently, e-tailers and retailers that work with FlexShopper may increase their sales by utilizing FlexShopper’s online channels to connect with consumers that want to acquire products on an LTO basis. FlexShopper’s sales channels include (1) selling directly to consumers via the online FlexShopper.com LTO Marketplace featuring thousands of durable goods, (2) utilizing FlexShopper’s LTO payment method at check out on e-commerce sites and through in-store terminals and (3) facilitating LTO transactions with retailers that have not yet become part of the FlexShopper.com LTO marketplace.

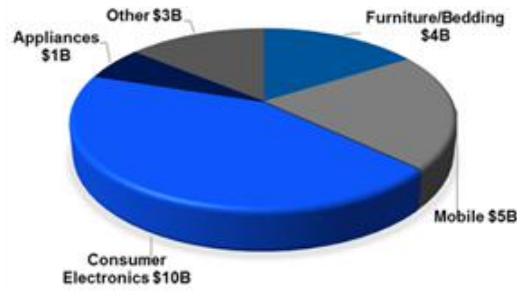
INDUSTRY OVERVIEW

The LTO industry offers consumers an alternative to traditional methods of obtaining electronics, computers, home furnishings, appliances and other durable goods. FlexShopper’s customers typically do not have sufficient cash or credit to obtain these goods, so they find the short-term nature and affordable payments of LTO attractive. In a typical LTO transaction, the customer has the option to acquire merchandise over a fixed term, usually 12 to 24 months, normally by making weekly lease payments. The customers may cancel the agreement as prescribed in the lease agreement by returning the merchandise, generally with no further lease obligation if their account is current. If customers lease the item to the full term, they obtain ownership of the item, though they can choose to buy it at any time prior to expiration of the term. FlexShopper’s current fixed term to acquire ownership is fifty-two weeks.

Non-prime consumers represent the largest segment of the credit market. Today, approximately 30% of Americans have low credit scores according to Experian, and approximately 8% of Americans are credit invisible, or have no credit history, according to the Consumer Financial Protection Bureau. This segment of consumers represents a significant and underserved market.

Banks do not adequately serve the non-prime. Following the last decade’s financial crisis, most banks tightened their underwriting standards and increased their minimum FICO score requirements for borrowers, leaving non-prime borrowers with severely reduced access to traditional credit. Despite the improving economy, banks continue to underserve the non-prime consumer. According to research based on securitization data for the five major credit card issuers, it is estimated that the revolving credit available to non-prime U.S. borrowers was reduced by approximately \$142 billion from 2008 to 2016. This reduction has had a profound impact on non-prime consumers in the U.S. who typically have little to no savings. FlexShopper believes that there is a growing need for a flexible LTO product that offers the convenience of a digital in-store, online, or mobile experience.

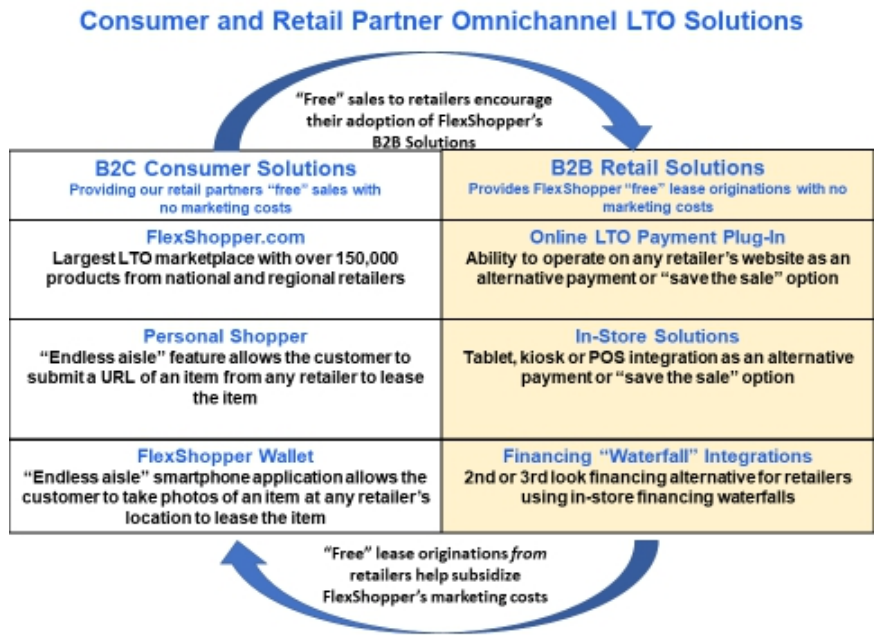
Direct Potential Addressable Market Size Totaling \$20 Billion - \$25 Billion:



According to KeyBanc Capital Markets’ research, the current addressable market size for non-prime consumers is between \$20 and \$25 billion, with consumer electronics constituting 43% of such amount. To date, we have been successful underwriting consumer electronics online and believe this is one of our competitive advantages.

GROWTH OPPORTUNITIES AND STRATEGIES

Like many industries, the internet and other technology is transforming the LTO industry. FlexShopper has positioned itself to take advantage of this transformation by focusing on the expansion of the LTO industry online and into mainstream retail and e-tail. The brick-and-mortar LTO industry currently serves approximately 3.4 million consumers annually, generating approximately \$6.1 billion in sales primarily through approximately 6,700 LTO brick and mortar stores. Through its strategic sales channels FlexShopper believes it can expand the LTO industry, also known as the rent-to-own or RTO industry. FlexShopper has successfully developed and is currently processing LTO transactions using its “LTO Engine,” FlexShopper’s proprietary technology that automates the process of consumers receiving spending limits and entering into leases for durable goods to within seconds. The LTO Engine is the basis for FlexShopper’s primary sales channels, which include B2C and B2B channels, illustrated in the diagram below:



We believe we have created a unique platform whereby our B2B and B2C sales channels beneficially advance each other. For our B2C channels, we directly market to our consumers LTO opportunities at FlexShopper.com, where they can choose from over 150,000 of the latest products shipped directly to them by certain of the nation's largest retailers. This generates sales for our retail partners, which encourages them to incorporate our B2B solutions into their online and in-store sales channels. The lease originations by our retail partners using our B2B channels, which have no customer acquisition cost to us, subsidize our B2C customer acquisition costs. Meanwhile, our B2C marketing promotes FlexShopper.com, which provides incremental sales for our retail partners as well as benefitting our FlexShopper.com business.

To achieve our goal of being the preeminent "pure play" virtual LTO leader, we intend to execute the following strategies:

Continue to grow FlexShopper into a dominant LTO brand. Given strong consumer demand and organic growth potential for our LTO solutions, we believe that significant opportunities exist to expand our presence within current markets via existing marketing channels. As non-prime consumers become increasingly familiar and comfortable with our retail kiosk partnerships, online marketplace and mobile solutions, we plan to capture the new business generated as they migrate away from less convenient legacy brick-and-mortar LTO stores.

Expand the range of customers served. We continue to evaluate new product and market opportunities that fit into our overall strategic objective of delivering next-generation retail, online and mobile LTO terms that span the non-prime/near-prime credit spectrum. For example, we are evaluating products with lower fees that would be more focused on the needs of more creditworthy subprime consumers that prefer a less expensive LTO option. In addition, we are continually focused on improving our analytics to effectively underwrite and serve consumers within those segments of the non-prime credit spectrum that we do not currently reach, including profitable deeper penetration of the sub-prime spectrum. We believe the current generation of our underwriting model is performing well and will continue to improve over time as its data set expands.

Pursue additional strategic retail partnerships. We intend to continue targeting regional and national retailers to expand our B2B sales channels. As illustrated in the diagram above, we believe we have the best omnichannel solution for retailers to "save the sale" with LTO options. In retail, the phrase "save the sale" means offering consumers other finance options when they don't qualify for traditional credit. We expect these partnerships to provide us with access to a broad range of potential new customers, with low customer acquisition costs.

Expand our relationships with existing customers and retail partners. Customer acquisition costs represent one of the most significant expenses for us due to our high percentage of online customers. In comparison, no acquisition cost is incurred for customers acquired through our retail partnerships. We will seek to expand our strong relationships with existing customers by providing qualified customers with increased spending limits or offering other products and services to them, as well as seek to grow our retail partnerships to reduce our overall acquisition cost.

Continue to optimize marketing across all channels. Since we began marketing our services to consumers in 2014, we have made significant progress in targeting our customers and lowering our customer acquisition costs. This is across different media including direct response television and digital channels such as social media, email, and search engines.

COMPETITION AND OUR COMPETITIVE STRENGTHS

The LTO industry is highly competitive. Our operation competes with other national, regional and local LTO businesses, as well as with rental stores that do not offer their customers a purchase option. Some of these companies have, or may develop, systems that enable consumers to obtain through online facilities spending limits and payment terms and to enter into leases nearly instantaneously, in a manner similar to that provided by FlexShopper's proprietary technology. We believe the following competitive strengths differentiate us:

Underwriting and Risk Management

Industry-leading technology and proprietary risk analytics optimized for the non-prime credit market. We have made substantial investments in our underwriting technology and analytics platforms to support rapid scaling, innovation and regulatory compliance. Our team of data scientists and risk analysts uses our risk infrastructure to build and test strategies across the entire underwriting process, using alternative credit data, device authentication, identity verification, and many more data elements. We believe our real-time proprietary technology and risk analytics platform is better than our competitors' in underwriting online consumers and consumer electronics; most of our peers focus on in-store consumers that acquire furniture, which we believe are easier to underwrite. In addition, all our applications are processed instantly with approvals and spending limits provided within seconds of submission.

Better LTO Products for Consumers and Retailers

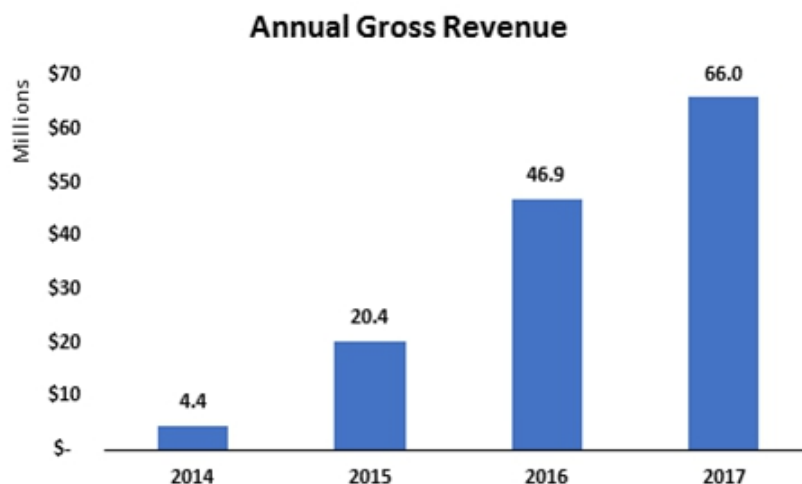
Largest online LTO marketplace. We have made substantial investments in our custom e-commerce platform to provide consumers the greatest selection of popular brands delivered by certain of the nation's largest retailers, including Best Buy, Amazon, Walmart, Overstock, Serta and many more. Our platform is custom-built for online LTO transactions, which include underwriting our consumers, serving them compliant state leases, syncing and communicating with our retail partners to fulfill orders and all front- and back-end customer relationship management functions, including collections and billing. The result is a comprehensive technology platform that manages all facets of our business and enables us to scale with hundreds of thousands of visitors and products.

A better omnichannel "save the sale" product for retailers. We believe that we have the best omnichannel solution for retailers to "save the sale" with LTO options. To our knowledge, no competitor has an LTO marketplace that provides retailers incremental sales with no acquisition cost. In addition, compared to our peers, our product for consumers requires no money down and typically fewer application fields. We believe this leads to more in-store and online sales. We also believe that we have the best LTO payment technology at checkout for e-tailers, whereby consumers can seamlessly checkout out on a third party's e-commerce site with our LTO payment plugin.

We provide LTO consumers an "endless aisle" of products for lease-to-own. As illustrated by our B2C channels in the above diagram, we offer consumers three ways to acquire products on an LTO basis. At FlexShopper.com our customers can choose from over 150,000 of the latest products shipped by certain of the nation's largest retailers. If customers want products that are not available on our marketplace, they may use our "personal shopper" service and simply complete a form with a link to the webpage of the desired durable good. We also offer consumers the ability to acquire durable goods with our FlexShopper Wallet smartphone application available on Apple and Android devices. With FlexShopper Wallet, consumers may apply for a spending limit and take a picture of a qualifying item in any major retail store and we will fill the order for them. With our B2C channels we believe we are providing LTO consumers with a superior LTO experience and fulfilling our mission to help improve their quality of life by shopping for what they want where they want.

A Lean and Scalable Model

Compared to the brick-and-mortar LTO industry, which is suffering from the same headwinds as traditional retail stores and declining sales, we have been successful in addressing the LTO consumer through online channels as illustrated in the chart below.



We believe our model is more efficient and scalable for the following reasons:

We have no inventory risk and are completely drop-ship. We do not have any of the costs associated with buying, storing and shipping inventory. Instead, our suppliers ship goods directly to consumers.

We serve LTO consumers across the United States without brick-and-mortar stores. We do not have any of the costs associated with physical stores and the personnel needed to operate them.

As our sales grow we achieve more operating leverage. Our model is primarily driven by a technology platform that does not require significant increases in operating overhead to support sales growth.

The Rental Purchase Transaction

A rental purchase transaction is a flexible alternative for consumers to obtain and enjoy brand name merchandise with no long-term obligation. Key features of rental purchase transactions include:

Brand name merchandise. FlexShopper offers well-known brands such as LG, Samsung, Sony and Vizio home electronics; Frigidaire, General Electric, LG, Samsung and Whirlpool appliances; Acer, Apple, Asus, Samsung and Toshiba computers and/or tablets; Samsung and Apple smartphones; and Ashley, Powell and Standard furniture among other brands.

Convenient payment options. Our customers make payments on a weekly, bi-weekly or monthly basis. Payments are automatically deducted from the customer's authorized checking account or debit card. Additionally, customers may make additional payments or exercise early payment options, which enable them to save money.

No long-term commitment. A customer may terminate a rental purchase agreement at any time with no long-term obligation by paying amounts due under the rental purchase agreement and returning the item to FlexShopper.

Applying has no impact on credit or FICO score. We do not use FICO scores to determine customers' spending limits so our underwriting does not impact consumers' credit with the three main credit bureaus

Flexible options to obtain ownership. Ownership of the merchandise generally transfers to the customer if the customer makes all payments during the lease term, which is one year, or exercises early payment options, which typically save the customer money.

SALES AND MARKETING

B2C Channels

We use a multi-channel, analytics-powered approach to marketing our products and services, with both broad-reach and highly-targeted channels, including television, digital, telemarketing and marketing affiliates. The goal of our marketing is to promote our brand and primarily to directly acquire new customers at a targeted acquisition cost. Our marketing strategies include the following:

Direct response television advertising. We use television advertising supported by our internal analytics and media buys from a key agency to drive and optimize website traffic and lease originations.

Digital acquisition. Our online marketing efforts include pay-per-click, keyword advertising, search engine optimization, marketing affiliate partnerships, social media programs and mobile advertising integrated with our operating systems and technology from vendors that allow us to optimize customer acquisition tactics within the daily operations cycle. In 2017 we created and launched our automated digital pay-per-click advertising platform, FLEX-AADS, which enabled us to scale up our pay-per-click marketing by utilizing better segmentation techniques and statistical models that can optimize our bidding adjustments.

User experience and conversion. We measure and monitor website visitor usage metrics and regularly test website design strategies to improve customer experience and conversion rates.

B2B Channels

We use internal business development personnel and outside consultants that focus on engaging retailers and e-tailers to use our services. This includes promoting FlexShopper at key trade shows and conferences.

MANAGEMENT INFORMATION SYSTEMS

FlexShopper uses computer-based management information systems to facilitate its entire business model, including underwriting, processing transactions through its sales channels, managing collections and monitoring leased inventory. Through the use of our proprietary software developed in-house, each of our retail partners uses our online merchant portal that automates the process of consumers receiving spending limits and entering into leases for durable goods generally to within seconds. The management information system generates reports which enable us to meet our financial reporting requirements.

GOVERNMENT REGULATIONS

The LTO industry is regulated by and subject to the requirements of various federal, state and local laws and regulations, many of which are in place for consumer protection. In general, such laws regulate, among other items, applications for leases, late fees, finance rates, disclosure statements, the substance and sequence of required disclosures, the content of advertising materials and certain collection procedures. Violations of certain provisions of these laws and regulations may result in penalties ranging from nominal amounts up to and including forfeiture of fees and other amounts due on leases. We are unable to predict the nature or effect on our operations or earnings of unknown future legislation, regulations and judicial decisions or future interpretations of existing and future legislation or regulations relating to our operations, and there can be no assurance that future laws, decisions or interpretations will not have a material adverse effect on our operations and earnings. In 2016, the Company enhanced its compliance department by hiring a Chief Compliance Counsel. See the section of this report captioned "Risk Factors" below for more information with respect to governmental laws and regulations and their effect on our business.

INTELLECTUAL PROPERTY

FlexShopper has provisional patent applications pending in the U.S. Patent and Trademark Office (“USPTO”) for systems that enable consumers to obtain products on an LTO basis using mobile devices and tablets and for an LTO method of payment at check-out on e-commerce sites. We can provide no assurances that FlexShopper will be granted any patents by the USPTO. We regard our pending patents, trademarks, service marks, copyrights, trade dress, trade secrets, proprietary technology, and similar intellectual property as critical to our success. In particular, we believe certain proprietary information, including but not limited to our underwriting model, and patent pending systems are central to our business model and we believe give us a key competitive advantage. We also rely on trademark and copyright law, trade secret protection, and confidentiality, license and work product agreements with our employees, customers, and others to protect our proprietary rights. See the section captioned “Risk Factors” below for more information on and risk associated with respect to our intellectual property.

OPERATIONS AND EMPLOYEES OF FLEXSHOPPER

Brad Bernstein, our Chief Executive Officer, manages our day-to-day operations and internal growth and oversees our growth strategy. FlexShopper’s management also includes a Chief Financial Officer and a Chief Risk Officer. In addition, FlexShopper has a customer service and collections call center. As of December 31, 2017, FlexShopper had 154 employees, all of whom were full time.

Item 1A. Risk Factors

You should carefully consider the following risk factors, in addition to the other information presented in this Form 10-K, in evaluating us and our business. Any of the following risks, as well as other risks and uncertainties, could harm our business and financial results and cause the value of our securities to decline.

Our limited operating history makes it difficult to evaluate our business to date and assess our future viability. FlexShopper, LLC, which was formed in June 2013 to enter the LTO business, has a limited operating history upon which investors may judge our performance and has incurred net losses. Our ability to achieve profitability in this business will depend upon many factors, including, without limitation, our ability to execute our growth strategy and technology development, obtain sufficient capital, develop relationships with third-party retail partners, adapt to fluctuations in the economy and modify our strategy based on the degree and nature of competition. Our senior management team has very limited experience in the LTO industry. While we believe our FlexShopper business model will be successful, prior success of our senior management in other businesses should not be viewed as an indication that we will be profitable. We can provide no assurances that our operations will ever be profitable.

We will require additional financing to achieve our business plans. We believe with our proprietary technology there is a significant market opportunity to expand the LTO market. However, we may be unable to successfully implement our ambitions of targeting very large markets in an intensely competitive industry segment without significantly increasing our resources. We do not currently have sufficient funds to fully implement our business plan and will need to raise capital through new financings. Such financings could include equity financing, which may be dilutive to stockholders, or debt financing, which would likely restrict our ability to borrow from other sources. In addition, such securities may contain rights, preferences or privileges senior to those of the rights of our current stockholders. There can be no assurance that additional funds will be available on terms attractive to us, or at all. If adequate funds are not available, we may be required to curtail or reduce our operations or forced to sell or dispose of our rights or assets. An inability to raise adequate funds on commercially reasonable terms would have a material adverse effect on our business, results of operation and financial condition, including the possibility that a lack of funds could cause our business to fail and liquidate with little or no return to investors.

Our business liquidity and capital resources are dependent upon our credit agreement with an institutional lender and our compliance with the terms thereof. We will lose access to new loans under our credit agreement in August 2018 and will need to extend or replace the credit agreement before its maturity in August 2019. If we are unable to successfully extend or replace the credit agreement in a timely manner, our future financial condition and liquidity would be materially adversely affected. FlexShopper, through FlexShopper 2, LLC (the “Borrower”), is party to a credit agreement (the “Credit Agreement”) with Wells Fargo Bank, National Association, various lenders from time to time party thereto and WE2014-1, LLC (the “Lender”). The Borrower is permitted to borrow funds under the Credit Agreement based on the Borrower’s cash on hand and the Amortized Order Value of the Borrower’s Eligible Leases (as such terms are defined in the Credit Agreement), less certain deductions described in the Credit Agreement. Under the terms of the Credit Agreement, subject to the satisfaction of certain conditions, the Borrower may borrow up to \$25,000,000 from the Lender for a term of two years; however, as of December 31, 2017, there was approximately \$1,061,000 in additional availability under the Credit Agreement and the outstanding balance under the Credit Agreement was \$18,950,000. The Lender holds security interests in certain leases as collateral under the Credit Agreement. For the term of the Credit Agreement, FlexShopper and its subsidiaries may not incur additional indebtedness (subject to certain exceptions) without the permission of the Lender. In addition, the Lender and its affiliates have a right of first refusal on certain FlexShopper transactions involving leases or other financial products. The Credit Agreement includes customary events of default, including, among others, failures to make payment of principal and interest, breaches or defaults under the terms of the Credit Agreement and related agreements entered into with the Lender, breaches of representations, warranties or certifications made by or on behalf of the Borrower in the Credit Agreement and related documents (including certain financial and expense covenants), deficiencies in the borrowing base, certain judgments against the Borrower and bankruptcy events.

On January 9, 2018, the Credit Agreement was amended to extend the Commitment Termination Date (as defined therein) from April 1, 2018 to August 31, 2018. Upon the Commitment Termination Date, the Lender is no longer obligated to lend money to the Borrower and all amounts outstanding under the Credit Agreement will be due on the twelve-month anniversary thereof. We are currently exploring various possible financing options that may be available to us, which may include extension, modification or refinancing of the Credit Agreement and/or a sale of our securities. We have no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all. If we are unable to obtain such needed capital, we may be forced to significantly curtail or suspend our operations.

Failure to effectively manage our costs could have a material adverse effect on our profitability. Certain elements of our cost structure are largely fixed in nature while consumer spending remains uncertain, which makes it challenging for us to maintain or increase our operating income. The competitiveness in our industry and increasing price transparency mean that the need to achieve efficient operations is greater than ever. As a result, we must continuously focus on managing our cost structure. Failure to manage our labor and benefit rates, advertising and marketing expenses, operating leases, charge-offs or indirect spending could materially adversely affect our profitability.

Our LTO business depends on the success of our third-party retail partners and our continued relationships with them. Our revenues depend in part on the relationships we have with third-party retailers we work with to offer our LTO services. We have entered into a variety of such arrangements and expect to seek additional such relationships in the future. However, for a variety of reasons we not be successful in these efforts. If our retail partners do not satisfy their obligations to us, we are unable to meet our retail partners’ expectations and demands or we are unable to reach agreements with additional suitable retail partners, we may fail to meet our business objectives. The terms of any additional retail partnerships or other strategic arrangements that we establish may not be favorable to us. Our inability to successfully implement retail partnerships and strategic arrangements could adversely affect our business, financial condition and results of operations. In addition, in most cases, our agreements with such third-party retailers may be terminated at the retailer’s election. There can be no assurance that we will be able to continue our relationships with our retail partners on the same or more favorable terms in future periods or that these relationships will continue beyond the terms of our existing contracts with our retail partners. The failure of our third-party retail partners to maintain quality and consistency in their operations and their ability to continue to provide products and services, or the loss of the relationship with any of these third-party retailers and an inability to replace them, could cause our business to lose customers, substantially decreasing our revenues and earnings growth.

Our growth will depend on our ability to develop our brands, and these efforts may be costly. Our ability to develop the FlexShopper brand will be critical to achieving widespread acceptance of our services and will require a continued focus on active marketing efforts. We will need to continue to spend substantial amounts of money on, and devote substantial resources to, advertising, marketing, and other efforts to create and maintain brand loyalty among our customers. If we fail to promote and maintain our brand, or if we incur substantial expenses in an unsuccessful attempt to do so, our business would be harmed.

Our LTO business depends on the continued growth of online and mobile commerce. The business of selling goods over the internet and mobile networks is dynamic and relatively new. Concerns about fraud, privacy and other problems or lack of access may discourage additional consumers from adopting the internet or mobile devices as modes of commerce or may prompt consumers to offline channels. In order to expand our user base, we must appeal to and acquire consumers who historically have used traditional means of commerce to purchase goods and may prefer internet analogues to such traditional retail means, such as the retailer's own website, to our offerings. If these consumers prove to be less active than we expect due to lower levels of willingness or ability to use the internet or mobile devices for commerce for any reason, including lack of access to high-speed communications equipment, traffic congestion on the internet or mobile network outages or delays, disruptions or other damage to users' computers or mobile devices, and we are unable to gain efficiencies in our operating costs, including our cost of acquiring new users, our business could be adversely impacted.

Failure to successfully manage and grow our FlexShopper.com e-commerce platform could materially adversely affect our business and future prospects. Our FlexShopper.com e-commerce platform provides customers the ability to apply, shop, review our product offerings and prices and enter into lease agreements as well as make payments on existing leases from the comfort of their homes and on their mobile devices. Our e-commerce platform is a significant and essential component of our strategic plan and we believe will drive future growth of our business. In order to promote our products and services and allow customers to transact online and reach new customers, we must effectively maintain, improve and grow our e-commerce platform. There can be no assurance that we will be able to maintain, improve or grow our e-commerce platform in a profitable manner.

The success of our business is dependent on factors affecting consumer spending that are not under our control. Consumer spending is affected by general economic conditions and other factors including levels of employment, disposable consumer income, prevailing interest rates, consumer debt and availability of credit, inflation, recession and fears of recession, tax rates and rate increases, timing of receipt of tax refunds, consumer confidence in future economic conditions and political conditions, and consumer perceptions of personal well-being and security. Unfavorable changes in factors affecting discretionary spending could reduce demand for our products and services, such as consumer electronics and residential furniture, resulting in lower revenue and negatively impacting our business and its financial results.

Our customer base presents significant risk of default for non-payment. We bear the risk of non-payment or late payments by our customers. The nature of our customer base makes it sensitive to adverse economic conditions and, in the event of an economic downturn, less likely to meet our prevailing underwriting standards, which may be more restrictive in an adverse economic environment. As a result, during such periods we may experience decreases in the growth of new customers, and we may curtail spending limits to existing customers, which may adversely affect our net sales and potential profitability.

Our customers can return merchandise without penalty. When our customers acquire merchandise through the FlexShopper LTO program, we purchase the merchandise from the retailer and enter the lease-to-own relationship with the customer. Because our customers can return merchandise without penalty, there is risk that we may end up owning a significant amount of merchandise that is difficult to monetize. While we have factored customer returns into our business model, customer return volume may exceed the levels we expect, which could adversely impact our collections, revenues and our financial performance. Returns totaled 4.4% of leased merchandise at December 31, 2017.

We rely on third-party credit/debit card and ACH (Automated Clearing House) processors to process collections from customers on a weekly basis. Our ability to collect from customers could be impaired if these processors do not work with us. These third-party payment processors may consider our business a high risk since our customer base has a high incidence of insufficient funds and rejected payments. This could cause a processor to discontinue its services to us, and we may not be able to find a replacement processor. If this occurs, we would have to collect from our customers using less efficient methods, which would adversely impact our collections, revenues and our financial performance.

We rely on internal models to manage risk, to provide accounting estimates and to make other business decisions. Our results could be adversely affected if those models do not provide reliable estimates or predictions of future activity. The accurate modeling of risks is critical to our business, particularly with respect to managing underwriting and spending limits for our customers. Our expectations regarding customer repayment levels, as well as our allowances for doubtful accounts and other accounting estimates, are based in large part on internal modeling. We also rely heavily on internal models in making a variety of other decisions crucial to the successful operation of our business. It is therefore important that our models are accurate, and any failure in this regard could have a material adverse effect on our results. However, models are inherently imperfect predictors of actual results because they are based on historical data available to us and our assumptions about factors such as demand, payment rates, default rates, delinquency rates and other factors that may overstate or understate future experience. Our models could produce unreliable results for a number of reasons, including the limitations or lack of historical data to predict results, invalid or incorrect underlying assumptions or data, the need for manual adjustments in response to rapid changes in economic conditions, incorrect coding of the models or inappropriate application of a model to products or events outside of the model's intended use. In particular, models are less dependable when the economic environment is outside of historical experience, as has been the case recently. Due to the factors described above, resulting unanticipated and excessive default and charge-off experience can adversely affect our profitability and financial condition, breach covenants in our credit agreement, limit our ability to secure a future credit facility and adversely affect our ability to finance our business.

Our operations are regulated by and subject to the requirements of various federal and state laws and regulations. These laws and regulations, which may be amended or supplemented or interpreted by the courts from time to time, could expose us to significant compliance costs or burdens or force us to change our business practices in a manner that may be materially adverse to our operations, prospects or financial condition. Currently, nearly every state and the District of Columbia specifically regulate LTO transactions. At the present time, no federal law specifically regulates the LTO industry, although federal legislation to regulate the industry has been proposed from time to time. Any adverse changes in existing laws, or the passage of new adverse legislation by states or the federal government could materially increase both our costs of complying with laws and the risk that we could be sued or be subject to government sanctions if we are not in compliance. In addition, new burdensome legislation might force us to change our business model and might reduce the economic potential of our sales and lease ownership operations. Most of the states that regulate LTO transactions have enacted disclosure laws that require LTO companies to disclose to their customers the total number of payments, the total amount and timing of all payments to acquire ownership of any item, any other charges that may be imposed and miscellaneous other items. In addition, certain restrictive state lease purchase laws limit the total amount that a customer may be charged for an item, or regulate the "cost-of-rental" amount that LTO companies may charge on LTO transactions, generally defining "cost-of-rental" as lease fees paid in excess of the "retail" price of the goods. There has been increased legislative attention in the United States, at both the federal and state levels, on consumer debt transactions in general, which may result in an increase in legislative regulatory efforts directed at the LTO industry. We cannot guarantee that the federal government or states will not enact additional or different legislation that would be disadvantageous or otherwise materially adverse to us. In addition to the risk of lawsuits related to the laws that regulate LTO transactions, we could be subject to lawsuits alleging violations of federal and/or state laws and regulations relating to consumer tort law, including fraud, consumer protection, information security and privacy. A large judgment against us could adversely affect our financial condition and results of operations. Moreover, an adverse outcome from a lawsuit, even one against one of our competitors, could result in changes in the way we and others in the industry do business, possibly leading to significant costs or decreased revenues or profitability.

Our virtual LTO business differs in some potentially significant respects from the risks of a typical LTO brick-and-mortar store business, which implicates certain additional regulatory risks.

We offer LTO products directly to consumers through our e-commerce marketplace and through the stores and e-commerce sites of third-party retailers. This novel business model implicates certain regulatory risk including, among others:

- possibly different regulatory risks than applicable to traditional brick-and-mortar LTO stores, whether arising from the offer by third-party retailers of FlexShopper's B2B solutions alongside traditional cash, check or credit payment options or otherwise, including the risk that regulators may mistakenly treat virtual LTO transactions as some other type of transaction that would face different and more burdensome and complex regulations;

- reliance on automatic bank account drafts for lease payments, which may become disfavored as a payment method for these transactions by regulators;
- potential that regulators may target the virtual LTO transaction and/or adopt new regulations or legislation (or existing laws and regulations may be interpreted in a manner) that negatively impact FlexShopper’s ability to offer virtual LTO programs through third-party retail partners;
- potential that regulators may attempt to force the application of laws and regulations on FlexShopper’s virtual LTO business in inconsistent and unpredictable ways that could increase the compliance-related costs incurred by FlexShopper, and negatively impact FlexShopper’s financial and operational performance; and
- indemnification obligations to FlexShopper retail partners and their service providers for losses stemming from FlexShopper’s failure to perform with respect to its products and services.

Any of these risks could have a material adverse effect on FlexShopper’s business.

Changes in regulations or customer concerns, in particular as they relate to privacy and protection of customer data, could adversely affect our business. Our business is subject to laws relating to the collection, use, retention, security and transfer of personally identifiable information about our customers. The interpretation and application of privacy and customer data protection laws are in a state of flux and may vary from jurisdiction to jurisdiction. These laws may be interpreted and applied inconsistently and our current data protection policies and practices may not be consistent with those interpretations and applications. Complying with these varying requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. Any failure, or perceived failure, by us to comply with our own privacy policies or with any regulatory requirements or orders or other privacy or consumer protection related laws and regulations could result in proceedings or actions against us by governmental entities or others, subject us to significant penalties and negative publicity and adversely affect our operating results.

If we fail to protect the integrity and security of customer and employee information, we could damage our reputation or be exposed to litigation or regulatory enforcement, and our business could be adversely impacted. We collect and store certain personal information provided to us by our customers and employees in the ordinary course of our business. Despite instituted safeguards for the protection of such information, we cannot be certain that all of our systems are entirely free from vulnerability to attack. Computer hackers may attempt to penetrate our network security and, if successful, misappropriate confidential customer or employee information. In addition, one of our employees, contractors or other third party with whom we do business may attempt to circumvent our security measures in order to obtain such information, or inadvertently cause a breach involving such information. Loss of customer or employee information could disrupt our operations, damage our reputation and expose us to claims from customers, employees, regulators and other persons, any of which could have an adverse effect on our business, financial condition and results of operations. In addition, the costs associated with information security, such as increased investment in technology, the costs of compliance with privacy laws and costs incurred to prevent or remediate information security breaches, could adversely impact our business.

The transactions offered to consumers by our businesses may be negatively characterized by consumer advocacy groups, the media and certain federal, state and local government officials, and if those negative characterizations become increasingly accepted by consumers and/or FlexShopper’s retail partners, demand for our goods and the transactions we offer could decrease and our business could be materially adversely affected. Certain consumer advocacy groups, media reports and federal and state legislators have asserted that laws and regulations should be broader and more restrictive regarding LTO transactions. The consumer advocacy groups and media reports generally focus on the total cost to a consumer to acquire an item, which is often alleged to be higher than the interest typically charged by banks or similar lending institutions to consumers with better credit histories. This “cost-of-rental” amount, which is generally defined as lease fees paid in excess of the “retail” price of the goods, is from time to time characterized by consumer advocacy groups and media reports as predatory or abusive without discussing benefits associated with LTO programs or the lack of viable alternatives for our customers’ needs. If the negative characterization of these types of LTO transactions becomes increasingly accepted by consumers or FlexShopper’s retail and merchant partners, demand for our products and services could significantly decrease, which could have a material adverse effect on our business, results of operations and financial condition. Additionally, if the negative characterization of these types of transactions is accepted by legislators and regulators, we could become subject to more restrictive laws and regulations, which could have a material adverse effect on our business, results of operations and financial condition. The vast expansion and reach of technology, including social media platforms, has increased the risk that our reputation could be significantly impacted by these negative characterizations in a relatively short amount of time. If we are unable to quickly and effectively respond to such characterizations, we may experience declines in customer loyalty and traffic and our relationships with our retail partners may suffer, which could have a material adverse effect on our business, results of operations and financial condition.

The loss of any of our key personnel could harm our business. Our future financial performance will depend to a significant extent on our ability to motivate and retain key management personnel. Further, FlexShopper is seeking to hire additional qualified management for its FlexShopper business. Competition for qualified management personnel is intense, and there can be no assurance that we will be able to hire additional qualified management on terms satisfactory to FlexShopper. Further, in the event we experience turnover in our senior management positions, we cannot assure you that we will be able to recruit suitable replacements. We must also successfully integrate all new management and other key positions within our organization to achieve our operating objectives. Even if we are successful, turnover in key management positions may temporarily harm our financial performance and results of operations until new management becomes familiar with our business. At present, we do not maintain key-man life insurance on any of our executive officers, although we entered into employment contracts with Brad Bernstein, our Chief Executive Officer and President, and Russ Heiser, our Chief Financial Officer. Our Board of Directors is responsible for approval of all future employment contracts with our executive officers. We can provide no assurances that said future employment contracts and/or their current compensation is or will be on commercially reasonable terms to us in order to retain our key personnel. The loss of any of our key personnel could harm our business.

We depend on hiring an adequate number of hourly employees to run our business and are subject to government regulations concerning these and our other employees, including wage and hour regulations. Our workforce is comprised primarily of employees who work on an hourly basis. To grow our operations and meet the needs and expectations of our customers, we must attract, train, and retain a large number of hourly associates, while at the same time controlling labor costs. These positions have historically had high turnover rates, which can lead to increased training, retention and other costs. In certain areas where we operate, there is significant competition for employees, including from retailers and the restaurant industries. The lack of availability of an adequate number of hourly employees, or our inability to attract and retain them, or an increase in wages and benefits to current employees could adversely affect our business, results of operations, cash flows and financial condition. We are subject to applicable rules and regulations relating to our relationship with our employees, including wage and hour regulations, health benefits, unemployment and payroll taxes, overtime and working conditions and immigration status. Accordingly, federal, state or local legislated increases in the minimum wage, as well as increases in additional labor cost components such as employee benefit costs, workers' compensation insurance rates, compliance costs and fines, would increase our labor costs, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

Employee misconduct or misconduct by third parties acting on our behalf could harm us by subjecting us to monetary loss, significant legal liability, regulatory scrutiny and reputational harm. Our reputation is critical to maintaining and developing relationships with our existing and potential customers and third parties with whom we do business. There is a risk that our employees or the employees of a third-party retailer with whom we partner could engage in misconduct that adversely affects our reputation and business. For example, if an employee or a third party associated with our business were to engage in, or be accused of engaging in, illegal or suspicious activities including fraud or theft of our customers' information, we could suffer direct losses from the activity and, in addition, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial condition, customer relationships and ability to attract future customers. Employee or third-party misconduct could prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect violations of such rules. The precautions that we take to detect and prevent misconduct may not be effective in all cases. Misconduct by our employees or third-party contractors, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our reputation and our business. Our operations are subject to certain laws generally prohibiting companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, such as the U.S. Foreign Corrupt Practices Act, and similar anti-bribery laws in other jurisdictions. Our employees, contractors or agents may violate the policies and procedures we have implemented to ensure compliance with these laws. Any such improper actions could subject us to civil or criminal investigations, could lead to substantial civil and criminal, monetary and non-monetary penalties, and related shareholder lawsuits, could cause us to incur significant legal fees, and could damage our reputation.

Competition in the LTO business is intense. The LTO industry is highly competitive. Our operation competes with other national, regional and local LTO businesses, as well as with rental stores that do not offer their customers a purchase option. Some of these companies have, or may develop, systems that enable consumers to obtain through online facilities spending limits and payment terms and to enter into leases nearly instantaneously, in a manner similar to that provided by FlexShopper's proprietary technology. Greater financial resources may allow our competitors to grow faster than us, including through acquisitions. This in turn may enable them to enter new markets before we can, which may decrease our opportunities in those markets. Greater name recognition, or better public perception of a competitor's reputation, may help them divert market share away from us, even in our established markets. Some competitors may be willing to offer competing products on an unprofitable basis in an effort to gain market share, which could compel us to match their pricing strategy or lose business. With respect to customers desiring to purchase merchandise for cash or on credit, we also compete with retail stores. Competition is based primarily on store location, product selection and availability, customer service and lease rates and terms. We believe we do not currently have significant competition for our online LTO marketplace and patent-pending LTO payment method. However, such competition is likely to develop over time, and we may be unable to successfully compete in our target markets. We can provide no assurances that we will be able to successfully compete in the LTO industry.

Worsening of current economic conditions could result in decreased revenues or increased costs. Although we believe an economic downturn can result in increased business in the LTO market as consumers increasingly find it difficult to purchase home furnishings, electronics and appliances from traditional retailers on store installment credit, it is possible that if the conditions continue for a significant period of time, or get worse, consumers may curtail spending on all or some of the types of merchandise we offer, in which event our revenues may suffer.

Continuation or worsening of current economic conditions faced by a portion of our customer base could result in decreased revenues. The geographic concentration of our retail partners may magnify the impact of conditions in a particular region, including economic downturns and other occurrences. Much of our customer base continues to experience prolonged economic uncertainty and, in certain areas, unfavorable economic conditions. We believe that the extended duration of that economic uncertainty and unfavorable economic conditions may be resulting in our customers curtailing purchases of the types of merchandise we offer, or entering into agreements that generate smaller amounts of revenue for us (i.e., a 90-day same-as-cash option), resulting in decreased revenues for FlexShopper. Any increases in unemployment or underemployment within our customer base may result in increased defaults on lease payments, resulting in increased merchandise return costs and merchandise losses. In addition, our retail partners as well as our online customer base are subject to the effects of adverse acts of nature, such as winter storms, hurricanes, hail storms, strong winds, earthquakes and tornadoes, which have in the past caused damage such as flooding and other damage to our retail partners and online customers.

We are subject to sales, income and other taxes, which can be difficult and complex to calculate due to the nature of our business. A failure to correctly calculate and pay such taxes could result in substantial tax liabilities and a material adverse effect on our results of operations. The application of indirect taxes, such as sales tax, is a complex and evolving issue, particularly with respect to the LTO industry generally and our virtual LTO business more specifically. Many of the fundamental statutes and regulations that impose these taxes were established before the growth of the LTO industry and e-commerce and, therefore, in many cases it is not clear how existing statutes apply to our various businesses. In addition, governments are increasingly looking for ways to increase revenues, which has resulted in discussions about tax reform and other legislative action to increase tax revenues, including through indirect taxes. This also could result in other adverse changes in or interpretations of existing sales, income and other tax regulations. For example, from time to time, some taxing authorities in the United States have notified us that they believe we owe them certain taxes imposed on transactions with our customers. Although these notifications have not resulted in material tax liabilities to date, there is a risk that one or more jurisdictions may be successful in the future, which could have a material adverse effect on our results of operations.

System interruption and the lack of integration and redundancy in our order entry and online systems may adversely affect our net sales.

Customer access to our customer service center and websites is key to the continued flow of new orders. Anything that would hamper or interrupt such access could adversely affect our net sales, operating results and customer satisfaction. Examples of risks that could affect access include problems with the internet or telecommunication infrastructure, limited web access by our customers, local or more systemic impairment of computer systems due to viruses or malware, or impaired access due to breaches of internet security or denial of service attacks. Changes in the policies of service providers or others that increase the cost of telephone or internet access could inhibit our ability to market our products or transact orders with customers. In addition, our ability to operate our business from day-to-day largely depends on the efficient operation of our computer hardware and software systems and communications systems. Our computer and communications systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, earthquakes, acts of war or terrorism, acts of God, computer viruses, physical or electronic break-ins or denial of service attacks, improper operation by employees and similar events or disruptions. Any of these events could cause system interruption, delays and loss of critical data and could prevent us from accepting and fulfilling customer orders and providing services, which would impair our operations. Certain of our systems are not redundant, and we have not fully implemented a disaster recovery plan. In addition, we may have inadequate insurance coverage to compensate us for any related losses. Interruptions to customer ordering, particularly if prolonged, could damage our reputation and be expensive to remedy and have significant adverse effects on our financial results.

We face risk related to the strength of our operational, technological and organizational infrastructure. We are exposed to operational risks that can be manifested in many ways, such as errors related to failed or inadequate processes, faulty or disabled computer systems, fraud by employees, contractors or third parties and exposure to external events. In addition, we are heavily dependent on the strength and capability of our technology systems that we use to manage our internal financial, credit and other systems, interface with our customers and develop and implement effective marketing campaigns. Our ability to operate our business to meet the needs of our existing customers and attract new ones and to run our business in compliance with applicable laws and regulations depends on the functionality of our operational and technology systems. Any disruptions or failures of our operational and technology systems, including those associated with improvements or modifications to such systems, could cause us to be unable to market and manage our products and services and to report our financial results in a timely and accurate manner, all of which could have a negative impact on our results of operations. In some cases, we outsource delivery, maintenance and development of our operational and technological functionality to third parties. These third parties may experience errors or disruptions that could adversely impact us and over which we may have limited control. Any increase in the amount of our infrastructure that we outsource to third parties may increase our exposure to these risks.

If we do not respond to technological changes, our services could become obsolete, and we could lose customers. To remain competitive, we must continue to enhance and improve the functionality and features of our e-commerce websites and other technologies. We may face material delays in introducing new products and enhancements. If this happens, our customers may forego the use of our websites and use those of our competitors. The internet and the online commerce industry are rapidly changing. If competitors introduce new products and services using new technologies or if new industry standards and practices emerge, our existing websites and our proprietary technology and systems may become obsolete. Our failure to respond to technological change or to adequately maintain, upgrade and develop our computer network and the systems used to process customers' orders and payments could harm our business, prospects, financial condition and results of operations.

We may not be able to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties. We have filed provisional patents for a system that enables consumers to buy products on an LTO basis using mobile devices and tablets and for an LTO method of payment at check-out on e-commerce sites. We can provide no assurances that we will be granted any patents by the USPTO. We regard our pending patents, trademarks, service marks, copyrights, trade dress, trade secrets, proprietary technology, and similar intellectual property as critical to our success. In particular, we believe certain proprietary information, including but not limited to our underwriting model, and patent-pending systems are central to our business model, and we believe give us a key competitive advantage. We rely on trademark and copyright law, trade secret protection, and confidentiality, license and work product agreements with our employees, customers and others to protect our proprietary rights. We may be unable to prevent third parties from acquiring trademarks, service marks and domain names that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights. Failure to protect our domain names could affect adversely our reputation and brand, and make it more difficult for users to find our website. We may be unable to discover or determine the extent of any unauthorized use of our proprietary rights. The protection of our intellectual property may require the expenditure of significant financial and managerial resources. In addition, the steps we take to protect our intellectual property may not adequately protect our rights or prevent parties from infringing or misappropriating our proprietary rights. We can be at risk that others will independently develop or acquire equivalent or superior technology or other intellectual property rights. The use of our technology or similar technology by others could reduce or eliminate any competitive advantage we have developed, cause us to lose sales or otherwise harm our business. We cannot be certain that the intellectual property used in our business does not and will not infringe the intellectual property rights of others, and we are from time to time subject to third party infringement claims. Due to recent changes in patent law, we face the risk of a temporary increase in patent litigation due to new restrictions on including unrelated defendants in patent infringement lawsuits in the future particularly from entities that own patents but that do not make products or services covered by the patents. Any third party infringement claims against us, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against us or the payment of damages. Moreover, should we be found liable for infringement, we may be required to seek to enter into licensing agreements, which may not be available on acceptable terms or at all.

In deciding whether to provide a spending limit to customers, we rely on the accuracy and completeness of information furnished to us by or on behalf of our customers. If we and our systems are unable to detect any misrepresentations in this information, this could have a material adverse effect on our results of operations and financial condition. In deciding whether to provide a customer with a spending amount, we rely heavily on information furnished to us by or on behalf of our customers and our ability to validate such information through third-party services, including personal financial information. If a significant percentage of our customers intentionally or negligently misrepresent any of this information, and we or our systems do not or did not detect such misrepresentations, it could have a material adverse effect on our ability to effectively manage our risk, which could have a material adverse effect on our results of operations and financial condition.

If we fail to timely contact delinquent customers, then the number of delinquent customer receivables eventually being charged off could increase. We contact customers with delinquent account balances soon after the account becomes delinquent. During periods of increased delinquencies it is important that we are proactive in dealing with these customers rather than simply allowing customer receivables to go to charge-off. During periods of increased delinquencies, it becomes extremely important that we are properly staffed and trained to assist customers in bringing the delinquent balance current and ultimately avoiding charge-off. If we do not properly staff and train our collections personnel, or if we incur any downtime or other issues with our information systems that assist us with our collection efforts, then the number of accounts in a delinquent status or charged-off could increase. In addition, managing a substantially higher volume of delinquent customer receivables typically increases our operational costs. A rise in delinquencies or charge-offs could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Our management information systems may not be adequate to meet our evolving business and emerging regulatory needs and the failure to successfully implement them could negatively impact the business and its financial results. We are investing significant capital in new information technology systems to support our growth plan. These investments include redundancies, and acquiring new systems and hardware with updated functionality. We are taking appropriate actions to ensure the successful implementation of these initiatives, including the testing of new systems, with minimal disruptions to the business. These efforts may take longer and may require greater financial and other resources than anticipated, may cause distraction of key personnel, may cause disruptions to our systems and our business, and may not provide the anticipated benefits. The disruption in our information technology systems, or our inability to improve, integrate or expand our systems to meet our evolving business and emerging regulatory requirements, could impair our ability to achieve critical strategic initiatives and could adversely impact our sales, collections efforts, cash flows and financial condition.

If we fail to maintain adequate systems and processes to detect and prevent fraudulent activity, our business could be adversely impacted. Criminals are using increasingly sophisticated methods to engage in illegal activities such as paper instrument counterfeiting, fraudulent payment or refund schemes and identity theft. As we make more of our services available over the internet and other media we subject ourselves to consumer fraud risk. We use a variety of tools to protect against fraud; however, these tools may not always be successful.

Our failure to maintain an effective system of internal controls could result in inaccurate reporting of financial results and harm our business. We are required to comply with a variety of reporting, accounting and other rules and regulations. As a public reporting company subject to the rules and regulations established from time to time by the SEC and the NASDAQ, we are required to, among other things, establish and periodically evaluate procedures with respect to our disclosure controls and procedures. In addition, as a public company, we are required to document and test our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 so that our management can certify, on an annual basis, that our internal control over financial reporting is effective. As such, we maintain a system of internal control over financial reporting, but there are limitations inherent in internal control systems. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be appropriate relative to their costs. Furthermore, compliance with existing requirements is expensive and we may need to implement additional finance and accounting and other systems, procedures and controls to satisfy our reporting requirements. If our internal control over financial reporting is determined to be ineffective, such failure could cause investors to lose confidence in our reported financial information, negatively affect the market price of our common stock, subject us to regulatory investigations and penalties, and adversely impact our business and financial condition.

Because of their significant stock ownership and ability to select nominees to our Board of Directors, certain beneficial owners of our stock, as well as our executive officers and directors, will be able to exert control over the Company and significant corporate decisions. B2 FIE V LLC (“B2 FIE”), a holder of Series 2 Convertible Preferred Stock described under “Recent Financings” in Item 7 below, beneficially owns 26.3% of the voting power of our outstanding stock as of March 8, 2018. Our secured lender described under this Item 1A and Item 7 below beneficially owns 15.5% of the voting power of our outstanding stock as of March 8, 2018. Also, our executive officers and directors beneficially own an additional 3.5% of the voting power of our outstanding stock as of the same date. In the event that they act in concert on future stockholder matters, such persons may have the ability to affect the election of all of our directors and the outcome of all issues submitted to our stockholders. Such concentration of ownership could limit the price that certain investors might be willing to pay in the future for shares of Common Stock and could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of us. Additionally, pursuant to Investor Rights Agreements entered into in connection with their investments in the Company, each of B2 FIE and our secured lender currently has the right to designate on our Board of Directors two and one nominee, respectively. As a result, the presence of directors on our Board of Directors nominated by these investors enables such investors to influence and impact future actions taken by our Board of Directors.

The price of our common stock may fluctuate significantly. During the fiscal year ended December 31, 2017, the price for our common stock on the Nasdaq Capital Market ranged from \$3.10 to \$6.56. The market price for our common stock can fluctuate as a result of a variety of factors, including the factors listed in this Risk Factors section, many of which are beyond our control. These factors include: actual or anticipated variations in quarterly operating results; announcements of new services by our competitors or us; announcements relating to strategic relationships or acquisitions; our ability to meet market expectations with respect to the growth and profitability of each of our operating segments; quarterly variations in our competitors’ results of operations; state or federal legislative or regulatory proposals, initiatives, actions or changes that are, or are perceived to be, adverse to our operations; changes in financial estimates or other statements by securities analysts; and other changes in general economic conditions. Because of this, we may fail to meet or exceed the expectations of our stockholders or others, and the market price for our common stock could fluctuate as a result. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

We have never declared or paid cash dividends on our Common Stock, and we do not anticipate paying any cash dividends on our Common Stock in the foreseeable future. We currently intend to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay cash dividends will be dependent upon our financial condition, operating results, capital requirements, applicable contractual restrictions and other such factors as our Board of Directors may deem relevant.

Product safety and quality control issues, including product recalls, could harm our reputation, divert resources, reduce sales and increase costs. The products we lease are subject to regulation by the U.S. Consumer Product Safety Commission and similar state regulatory authorities. Such products could be subject to recalls and other actions by these authorities. Product safety or quality concerns may require us to voluntarily remove selected products from our e-commerce site, or from our customers' homes. Such recalls and voluntary removal of products can result in, among other things, lost sales, diverted resources, potential harm to our reputation and increased customer service costs, which could have a material adverse effect on our financial condition. In addition, given the terms of our lease agreements with our customers, in the event of such a product quality or safety issue, our customers who have leased the defective merchandise from us could terminate their lease agreements for that merchandise and/or not renew those lease arrangements, which could have a material adverse effect on our financial condition if we are unable to recover those losses from the vendor who supplied us with the defective merchandise.

Increased costs associated with corporate governance compliance may significantly impact our results of operations. Changing laws, regulations and standards relating to corporate governance, public disclosure and compliance practices, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Sarbanes-Oxley Act of 2002, and new SEC regulations, may create difficulties for companies such as ours in understanding and complying with these laws and regulations. As a result of these difficulties and other factors, devoting the necessary resources to comply with evolving corporate governance and public disclosure standards has resulted in and may in the future result in increased general and administrative expenses and a diversion of management time and attention to compliance activities. We also expect these developments to increase our legal compliance and financial reporting costs. In addition, these developments may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. Moreover, we may be unable to comply with these new laws and regulations on a timely basis. These developments could make it more difficult for us to retain qualified members of our board of directors, or qualified executive officers. We are presently evaluating and monitoring regulatory developments and cannot estimate the timing or magnitude of additional costs we may incur as a result. To the extent these costs are significant, our general and administrative expenses are likely to increase.

If we sell shares of our common stock or securities convertible into our common stock in future financings, the ownership interest of existing shareholders will be diluted and, as a result, our stock price may go down. We may from time to time issue additional shares of common stock, possibly at a discount from the current trading price of our common stock. As a result, our existing shareholders will experience immediate dilution upon the purchase of any shares of our Common Stock sold at a discount. For example, in connection with the sale of Series 2 Preferred Stock in June 2016, FlexShopper raised approximately \$22.0 million in net proceeds through direct sales of 21,952 shares of Series 2 Preferred Stock, each share of which is convertible into 123.4568 shares of our common stock. As other capital raising opportunities present themselves, we may enter into financing or similar arrangements in the future. If we issue common stock or securities convertible into common stock, our shareholders will experience dilution and this dilution will be greater if we find it necessary to sell securities at a discount to prevailing market prices.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Our principal office is located in Boca Raton, Florida, where we currently lease 8,836 square feet of office space to accommodate FlexShopper's business and its employees. The monthly rent for this space is approximately \$14,000 with annual three percent increases throughout the lease term, which expires in June 2019.

In September 2015, we entered into a 48-month lease for additional office space in Fort Lauderdale, Florida to accommodate our call and customer service center. The monthly base rent including operating expenses is approximately \$5,200 with annual three percent increases throughout the lease term.

In August 2017, FlexShopper entered into a 12 month lease with options for two additional three year terms for storefront space in West Palm Beach, Florida to accommodate FlexShopper's repossession retail sales operation. The monthly base rent including operating expenses is approximately \$2,000 with annual four percent increases throughout the lease term.

Item 3. Legal Proceedings

We are not currently a party to any material pending legal proceedings. To our knowledge, no governmental authority is contemplating commencing a legal proceeding in which we would be named as a party. We may, however, be subject to various claims and legal actions arising in the ordinary course of business from time to time.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock has been listed on the Nasdaq Capital Market under the symbol "FPAY" since November 2016. It previously traded on the OTCQB. The following table sets forth the range of high and low sales prices of our common stock for each full quarterly period within the two most recent fiscal years. All prices in the table below reflect the 1-for-10 reverse stock split of our common stock effected in October 2016.

	<u>High</u>	<u>Low</u>
2016 - Quarter Ended		
December 31	\$ 8.00	\$ 4.80
September 30	5.80	4.60
June 30	6.00	3.00
March 31	6.80	2.50
2017 - Quarter Ended		
December 31	\$ 5.55	\$ 3.21
September 30	6.56	3.10
June 30	4.80	3.66
March 31	6.00	4.24

Holders of Record

As of March 8, 2018, there were 519 holders of record of shares of our common stock.

Dividend Policy

We have not paid or declared any cash dividends on our common stock. We currently intend to retain any earnings for future growth and, therefore, do not expect to pay cash dividends on our common stock in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend upon various factors, including our results of operations, financial condition, capital requirements, investment opportunities and other factors that our Board of Directors deems relevant.

Item 6. Selected Financial Data

The information required by Item 6 is not required to be provided by issuers that satisfy the definition of “smaller reporting company” under SEC rules.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto appearing elsewhere in this Form 10-K.

Executive Overview

FlexShopper, Inc. (“we,” “us,” “our,” “FlexShopper” or the “Company”) is a corporation organized under the laws of the State of Delaware in 2006 with its common stock trading on the Nasdaq Capital Market under the symbol “FPAY.” All references to our business operations refer to FlexShopper, LLC and its wholly-owned subsidiaries, unless the context indicates otherwise.

Since December 2013, we have developed a business that focuses on improving the quality of life of our customers by providing them the opportunity to obtain ownership of high-quality durable products, such as consumer electronics, home appliances, computers (including tablets), smartphones and furniture (including accessories), under affordable payment lease-to-own (“LTO”) purchase agreements with no long-term obligation, including through an extensive online experience. Our customers can acquire well-known brands such as Samsung, Frigidaire, Hewlett-Packard, LG, Whirlpool, Simmons, Philips, Ashley, Apple and more. We believe that the introduction of FlexShopper’s LTO programs support broad untapped expansion opportunities within the U.S. consumer e-commerce and retail marketplaces. We have successfully developed and are currently processing LTO transactions using our “LTO Engine,” FlexShopper’s proprietary technology that automates the process of consumers receiving spending limits and entering into leases for durable goods to within seconds. The LTO Engine is the basis for FlexShopper’s primary sales channels, which include business to consumer (“B2C”) and business to business (“B2B”) channels, as described in further detail below. Concurrently, e-tailers and retailers that work with FlexShopper may increase their sales by utilizing FlexShopper’s online channels to connect with consumers that want to acquire products on an LTO basis. FlexShopper’s sales channels include (1) selling directly to consumers via the online FlexShopper.com LTO Marketplace featuring thousands of durable goods, (2) utilizing FlexShopper’s patent-pending LTO payment method at check out on e-commerce sites and through in-store terminals and (3) facilitating LTO transactions with retailers that have not yet become part of the FlexShopper.com LTO marketplace.

Summary of Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to credit provisions, intangible assets, contingencies, litigation and income taxes. Management bases its estimates and judgments on historical experience as well as various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following critical accounting policies, among others, reflect the more significant judgments and estimates used in the preparation of our financial statements.

Accounts Receivable and Allowance for Doubtful Accounts – FlexShopper seeks to collect amounts owed under its leases from each customer on a weekly basis by charging his or her bank account or credit card. Accounts receivable are principally comprised of lease payments currently owed to FlexShopper which are past due as FlexShopper has been unable to successfully collect in the aforementioned manner. Through June 30, 2016, an allowance for doubtful accounts was estimated by reserving all accounts in excess of four payments in arrears, adjusted for subsequent collections. Commencing in the quarter ended September 30, 2016, the estimate was revised to provide for doubtful accounts based upon revenues and historical experience of balances charged off as a percentage of revenues. The accounts receivable balances consisted of the following as of December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Accounts receivable	\$ 6,399,233	\$ 11,690,495
Allowance for doubtful accounts	(2,139,765)	(9,508,708)
Accounts receivable, net	<u>\$ 4,259,468</u>	<u>\$ 2,181,787</u>

The allowance for doubtful accounts is a significant percentage of the balance because FlexShopper does not charge off any customer account until it has exhausted all collection efforts with respect to each account, including attempts to repossess items. In addition, while collections are pursued, the same delinquent customers will continue to accrue weekly charges until they are charged off. The allowance for bad debt at January 1, 2016 was \$4,727,278. During the years ended December 31, 2017 and 2016, \$26,504,150 and \$8,499,812 of accounts receivable balances, respectively, were charged off against the allowance. The significant increase was due to there being a much smaller and younger portfolio of leases against which charge-offs were made in the prior year.

Lease Merchandise – Until all payment obligations for ownership are satisfied under the lease agreement, the Company maintains ownership of the lease merchandise. Lease merchandise consists primarily of residential furniture, consumer electronics, computers, appliances and household accessories and is recorded at cost net of accumulated depreciation. The Company depreciates leased merchandise using the straight line method over the applicable agreement period for a consumer to acquire ownership, generally twelve months with no salvage value. Upon transfer of ownership of merchandise to customers resulting from satisfaction of their lease obligations, the related cost and accumulated depreciation are eliminated from lease merchandise. For lease merchandise returned or anticipated to be returned either voluntarily or through repossession, the Company provides an impairment reserve for the undepreciated balance of the merchandise net of any estimated salvage value with a corresponding charge to cost of lease revenue. The cost, accumulated depreciation and impairment reserve related to such merchandise are written off upon determination that no salvage value is obtainable. The impairment charge amounted to approximately \$4,575,000 and \$5,021,000 for the years ended December 31, 2017 and 2016 respectively. The net leased merchandise balances consisted of the following as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Lease merchandise at cost	\$ 34,501,555	\$ 33,264,810
Accumulated depreciation	(11,974,953)	(11,578,267)
Impairment reserve	(1,111,280)	(3,116,083)
Lease merchandise, net	<u>\$ 21,415,322</u>	<u>\$ 18,570,460</u>

Cost of lease merchandise sold represents the undepreciated cost of rental merchandise at the time of sale.

Stock Based Compensation - The fair value of transactions in which the Company exchanges its equity instruments for employee services (share-based payment transactions) is recognized as an expense in the financial statements as services are performed. Compensation expense is determined by reference to the fair value of an award on the date of grant and is amortized on a straight-line basis over the vesting period. We have elected to use the Black Scholes pricing model (BSM) to determine the fair value of all stock option awards.

Key Performance Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. Key performance metrics for the year ended December 31, 2017 are as follows:

Adjusted Gross Profit	Year ended December 31,		\$ Change	% Change
	2017	2016		
Lease revenues and fees	\$ 65,412,131	\$ 46,513,235	\$ 18,898,896	40.6
Lease merchandise sold	1,634,233	1,066,350	567,883	53.3
Cost of merchandise sold	(998,800)	(687,991)	310,809	45.2
Provision for doubtful accounts	(19,135,207)	(13,281,242)	5,853,965	44.0
Net revenues	<u>46,912,357</u>	<u>33,610,352</u>	<u>13,302,005</u>	<u>39.6</u>
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	(31,453,246)	(22,734,553)	8,718,693	38.4
Adjusted Gross Profit	<u>\$ 15,459,111</u>	<u>\$ 10,875,799</u>	<u>\$ 4,583,312</u>	<u>42.1</u>
Gross profit margin	33%	32%		
Net revenues as a percentage of cost of lease revenue	<u>149%</u>	<u>148%</u>		

Adjusted EBITDA	Year ended December 31,		\$ Change	% Change
	2017	2016		
Net Loss	\$ (8,330,761)	\$ (12,253,707)	\$ 3,922,946	(32.0)
Amortization of debt costs	473,616	451,304	22,312	4.9
Other amortization and depreciation	1,616,964	1,115,203	501,761	44.9
Interest expense	1,694,645	1,473,880	220,765	15.0
Stock compensation	113,952	136,308	(22,356)	(16.4)
Adjusted EBITDA	\$ (4,431,584)*	\$ (9,077,012)*	\$ 4,645,428	(51.2)

* Represents loss

We refer to Adjusted Gross Profit and Adjusted EBITDA in the above tables as we use these measures to evaluate our operating performance and make strategic decisions about the Company. Management believes that Adjusted Gross Profit and Adjusted EBITDA provide relevant and useful information which is widely used by analysts, investors and competitors in our industry in assessing performance.

Adjusted Gross Profit represents GAAP revenue less the provision for doubtful accounts and cost of leased inventory and inventory sold as a percentage of cost of these revenues. Adjusted Gross Profit provides us with an understanding of the results from the primary operations of our business. We use Adjusted Gross Profit to evaluate our period-over-period operating performance. This measure may be useful to an investor in evaluating the underlying operating performance of our business.

Adjusted EBITDA represents net income before interest, stock based compensation, taxes, depreciation (other than depreciation of leased inventory) and amortization. We believe that Adjusted EBITDA provides us with an understanding of one aspect of earnings before the impact of investing and financing charges and income taxes. Adjusted EBITDA may be useful to an investor in evaluating our operating performance and liquidity because this measure:

- is widely used by investors to measure a company's operating performance without regard to items excluded from the calculation of such measure, which can vary substantially from company to company.
- is a financial measurement that is used by rating agencies, lenders and other parties to evaluate our credit worthiness; and
- is used by our management for various purposes, including as a measure of performance and as a basis for strategic planning and forecasting.

Adjusted Gross Profit and Adjusted EBITDA are supplemental measures of FlexShopper's performance that are neither required by, nor presented in accordance with, GAAP. Adjusted Gross Profit and Adjusted EBITDA should not be considered as substitutes for GAAP metrics such as operating loss, net income or any other performance measures derived in accordance with GAAP.

Results of Operations

The following table details the operating results from operations for the twelve months ended December 31, 2017 and 2016.

	Year ended December 31,		\$ Change	% Change
	2017	2016		
Total revenues	\$ 67,046,364	\$ 47,579,585	\$ 19,466,779	40.9
Cost of lease revenue and merchandise sold	32,452,046	23,422,544	9,029,502	38.6
Provision for doubtful accounts	19,135,207	13,281,242	5,853,965	44.1
Marketing	6,094,330	10,193,052	(4,098,722)	(40.2)
Salaries and benefits	7,862,714	5,946,401	1,916,313	32.2
Operating expenses	7,664,566	5,064,869	2,599,697	51.3
Operating loss	(6,162,499)	(10,328,523)	4,166,024	40.3
Interest expense	2,168,262	1,925,184	243,078	12.6
Net loss	\$ (8,330,761)	\$ (12,253,707)	\$ 3,922,946	32.0

Lease revenues for the twelve months ended December 31, 2017 were \$67,046,364 compared to \$47,579,585 for the year ended December 31, 2016, representing an increase of 40.9 %. FlexShopper originated 87,031 leases in the year ended December 31, 2017 compared to 76,496 leases in year ended December 31, 2016. Growth in repeat customers is primarily responsible for the increase in revenue and leases.

Cost of lease revenue and merchandise sold for the year ended December 31, 2017 was comprised of depreciation expense on lease merchandise of \$31,453,246 and the net book value of merchandise sold of \$998,800. Cost of lease revenue and merchandise sold for the year ended December 31, 2016 was comprised of depreciation expense on lease merchandise of \$22,734,553, the net book value of merchandise sold of \$687,991. As the Company's lease revenues increase, the associated direct costs also increase.

Provision for bad debts was \$19,135,207 and \$13,281,242 for the years ended December 31, 2017 and 2016, respectively. A factor that causes the provision to increase is that the Company does not charge off any customer accounts until it has exhausted all collection efforts including attempts to repossess items. While collection efforts are pursued, delinquent customers continue to accrue weekly charges resulting in a significant balance requiring a reserve. The Company anticipates continued improvement as it continues to refine its underwriting model, enhances its risk department and accumulates additional lease data. The Company has charged off \$26,462,674 and \$8,541,289 of customer accounts to the allowance for doubtful accounts in the years ended December 31, 2017 and 2016 respectively, after it exhausted all collection efforts with respect to such accounts. The significant increase was due to there being a much smaller and younger portfolio of leases against which charge-offs were made in the prior year.

Marketing expenses for the year ended December 31, 2017 were \$6,094,330, compared to \$10,193,052 in 2016 for a decrease of \$4,098,722 or 40.2%. Recognizing the seasonality of its business and periods of less consumer demand for consumer electronics, the Company strategically reduced marketing expenditures to continue to optimize customer acquisition costs.

Salary and benefits expenses for the year ended December 31, 2017 were \$7,862,714, compared to \$5,946,401 in 2016 for an increase of \$1,916,313 or 32.2%. Our continued investment in our software engineering team to innovate and enhance our technology platform, as well as our customer support and collections teams, and certain key management hires are the primary reasons for the increase in salaries and benefits expenses.

Operating expenses for the years ended December 31, 2017 and 2016 were \$7,664,566 and \$5,064,869 respectively.

Key operating expenses for the years ended December 31, 2017 and 2016 included the following:

	Year ended December 31, 2017	Year ended December 31, 2016
Amortization and depreciation	\$ 1,616,964	\$ 1,566,507
Computer and internet expenses	1,254,967	265,505
Legal and professional fees	890,022	465,620
Merchant bank fees	998,940	612,260
Stock compensation expense	113,952	136,308
Other	2,789,721	2,018,669
Total	\$ 7,664,566	\$ 5,064,869

Our computer and internet expenses represented the most significant increase, which was primarily due to our transition to another e-commerce platform in 2017. We are maintaining two platforms which we anticipate will no longer be necessary in the second quarter of 2018 when we should see reductions in this cost.

The increased revenues were offset by the increase in expenses to enhance and scale the Company's LTO channels and support its growth resulting in net losses of \$8,330,761 and \$12,253,707 for the years ended December 31, 2017 and 2016, respectively.

Plan of Operation

We plan to promote our FlexShopper products and services across all sales channels through strategic partnerships, direct response marketing, and affiliate and internet marketing, all of which are designed to increase our lease transactions and name recognition. Our advertisements emphasize such features as instant spending limits, and affordable weekly payments. We believe that as the FlexShopper name gains familiarity and national recognition through our advertising efforts, we will continue to educate our customers and potential customers about the LTO payment alternative as well as solidify our reputation as a leading provider of high quality branded merchandise and services.

For each of our sales channels, FlexShopper has a multichannel, analytics-powered marketing strategy that includes the following:

Online LTO Marketplace	Patent Pending -LTO Payment Method	In-store LTO technology platform
Search engine optimization; pay-per click; display ads; social media	Direct to retailers/e-tailers	Direct to retailers/e-tailers
Online affiliate networks	Partnerships with payment aggregators	Consultants & strategic relationships
Direct response television campaigns	Consultants & strategic relationships	
Direct mail		

The Company believes it has a competitive advantage by providing all three channels as a bundled package. Management is anticipating a rapid development of the FlexShopper business as we are able to penetrate each of our sales channels. To support our anticipated growth, FlexShopper will need the availability of substantial capital resources. See the section captioned "Liquidity and Capital Resources" below.

Liquidity and Capital Resources

As of December 31, 2017, the Company had cash of \$4,968,915 compared to \$5,412,495 as of December 31, 2016.

As of December 31, 2017, the Company had accounts receivables of \$6,399,233 net of an allowance for doubtful accounts of \$2,139,765 totaling \$4,259,468. Accounts receivable are principally comprised of lease payments owed to the Company. An allowance for doubtful accounts is estimated based upon historical collection and delinquency percentages.

Recent Financings

From January 1, 2015, FlexShopper completed the following transactions, each of which has provided liquidity and cash resources to FlexShopper.

- On March 6, 2015, FlexShopper, through its wholly owned indirect subsidiary, entered into a credit agreement (the "Credit Agreement") among FlexShopper 2, LLC, Wells Fargo Bank, National Association, various Lenders from time to time party thereto and WE2014-1, LLC (the "Lender"). FlexShopper is permitted to borrow funds under the Credit Agreement based on FlexShopper's cash on hand and the Amortized Order Value of its Eligible Leases (as such terms are defined in the Credit Agreement) less certain deductions described in the Credit Agreement. Under the terms of the Credit Agreement, subject to the satisfaction of certain conditions, FlexShopper may borrow up to \$25,000,000 from the Lender for a term of two years; however, as of December 31, 2017 the outstanding balance owed on the Credit Agreement was approximately \$18,950,000 and there was approximately \$1,061,000 in additional availability under the Credit Agreement.

2. On February 11, 2016, FlexShopper entered into a secured promissory note with a principal stockholder for \$1,000,000 at an interest rate of 15% per annum, payable upon demand, secured by substantially all of the Company's assets. The promissory note was paid in full with interest amounting to \$51,250 on June 13, 2016.
3. On March 29, 2016, we entered into a fourth amendment and waiver (the "Fourth Amendment") to the Credit Agreement. The Fourth Amendment amends the Credit Agreement to, among other things, increase the amount of the Borrowing Base (as defined in the Credit Agreement) until the earlier of (i) April 1, 2017 and (ii) the successful raising by the Company of at least \$10,000,000 in equity funding (the "Equity Raise"). The Fourth Amendment also included a waiver of (i) breaches resulting from the Borrower's non-compliance with certain financial covenants under the Credit Agreement that occurred prior to the effectiveness of the Fourth Amendment and (ii) compliance with certain financial covenants under the Credit Agreement for the period from the date of the Fourth Amendment through the earlier of April 1, 2017 or the completion of the Equity Raise. If we were not in compliance with the financial covenants under the Credit Agreement by the earlier of April 1, 2017 or the completion of the Equity Raise or we fail to maintain compliance with the covenants thereafter, the Lender would be able to accelerate the required repayment of amounts due under the Credit Agreement and, if they are not repaid, could foreclose upon our assets securing our obligations under the Credit Agreement.
4. On June 10, 2016, the Company entered into a Subscription Agreement with B2 FIE V LLC, an entity affiliated with Pacific Investment Management Company LLC, providing for the issuance and sale of 20,000 shares of Series 2 Convertible Preferred Stock for gross proceeds of \$20.0 million. In addition, the Company sold an additional 1,950 shares of Series 2 Convertible Preferred Stock to certain other investors at a subsequent closing in June 2016 for gross proceeds of \$1.95 million.
5. On January 27, 2017, we entered into a fifth amendment (the "Omnibus Amendment") to the Credit Agreement. The Omnibus Amendment amends the Credit Agreement to, among other things, extend the Commitment Termination Date to April 1, 2018 (as defined in the Credit Agreement), require us to refinance the debt under the Credit Agreement upon a Permitted Change of Control (as defined in the Credit Agreement) and modify certain permitted debt and financial covenants.
6. On January 9, 2018, the Credit Agreement was modified to extend the Commitment Termination Date from April 1, 2018 to August 31, 2018.
7. On January 29, 2018 and January 30, 2018, we entered into letter agreements with Russ Heiser, FlexShopper's Chief Financial Officer, and NRNS Capital Holdings LLC ("NRNS"), respectively (such letter agreements, together, the "Commitment Letters"), pursuant to which we issued a subordinated promissory note to each of Mr. Heiser and NRNS (together, the "Notes"). The Commitment Letters provide that Mr. Heiser and NRNS each shall make advances to the Borrower under the applicable Note in aggregate amounts up to \$1,000,000 and \$2,500,000, respectively. Such amounts may be drawn by us until July 31, 2018 in one or more advances. Upon issuance of the Notes, we drew \$500,000 on the Note held by Mr. Heiser and \$2,500,000 on the Note held by NRNS. Payments of principal and accrued interest are due and payable by us upon 30 days' prior written notice from the applicable noteholder and we can prepay principal and interest at any time without penalty.

Cash Flow Summary

Cash Flows from Operating Activities

Net cash used by operating activities was \$6,598,834 for the year ended December 31, 2017 and was primarily due to the net loss for the period combined with cash used for the purchases of leased merchandise.

Net cash used by operating activities was \$17,372,429 for the year ended December 31, 2016 and was primarily due to the net loss for the period combined with cash used for the purchases of leased merchandise.

Cash Flows from Investing Activities

For the year ended December 31, 2017, net cash used in investing activities was \$2,021,538 comprised of \$127,367 for the purchase of property and equipment and \$1,894,171 for capitalized software costs.

For the year ended December 31, 2016, net cash used in investing activities was \$1,855,088 comprised of \$81,514 for the purchase of property and equipment and \$1,773,574 for capitalized software costs.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$8,176,792 for the year ended December 31, 2017 primarily due to the funds drawn on the Credit Agreement of \$10,450,000, offset by repayments of amounts borrowed under the Credit Agreement of \$2,288,208.

Net cash provided by financing activities was \$21,243,806 for the year ended December 31, 2016 primarily due to the proceeds from the sale of Series 2 Convertible Preferred Stock of \$21,952,000 offset by related costs of \$1,519,339, funds drawn on the Credit Agreement of \$4,941,359, offset by repayments of amounts borrowed under the Credit Agreement of \$4,172,714.

Capital Resources and Financial Condition

To date, funds derived from the sale of FlexShopper's common stock and Series 2 Convertible Preferred Stock and FlexShopper's ability to borrow funds under the Credit Agreement have provided the liquidity and capital resources necessary to fund our operations. Management believes that the financing transactions described in this section above will provide sufficient liquidity and capital resources for our anticipated needs into the third quarter of 2018. However, the Company does not currently have sufficient funds to fully implement its business plan or to repay amounts borrowed under the Credit Agreement, under which FlexShopper loses access to new loans in August 2018 and which matures in August 2019. Accordingly, we will need to further extend the maturity date or otherwise refinance this debt to remain in operation and continue the implementation of our business plan thereafter. We are currently exploring various possible financing options that may be available to us, which may include extension, modification or refinancing of the Credit Agreement and/or a sale of our securities. We have no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all. If we are unable to obtain such needed capital, we may be able to maintain a positive cash position by servicing and collecting our existing lease portfolio, but would be forced to significantly curtail or suspend our operations.

Impact of Inflation and Changing Prices

During the two most recent fiscal years, inflation and changing prices have not had a material effect on our business and we do not expect that inflation or changing prices will materially affect our business in the foreseeable future.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

The information required by Item 7A is not required to be provided by issuers that satisfy the definition of "smaller reporting company" under SEC rules.

Item 8. Financial Statements and Supplementary Data.

Consolidated Financial Statements

The reports of the Independent Registered Public Accounting Firm, Consolidated Financial Statements and Schedules are set forth beginning on the following page.

FLEXSHOPPER, INC.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
FlexShopper, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of FlexShopper, Inc. (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 2014.

/s/ EisnerAmper LLP

EISNERAMPER LLP
New York, NY
March 8, 2018

FLEXSHOPPER, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash	\$ 4,968,915	\$ 5,412,495
Accounts receivable, net	4,259,468	2,181,787
Prepaid expenses	321,035	361,777
Lease merchandise, net	21,415,322	18,570,460
Total current assets	30,964,740	26,526,519
PROPERTY AND EQUIPMENT, net	2,948,164	2,540,514
OTHER ASSETS, net	95,722	88,591
	\$ 34,008,626	\$ 29,155,624
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of loan payable under credit agreement to beneficial shareholder net of \$118,404 of unamortized issuance costs	\$ 14,094,096	\$ -
Accounts payable	7,702,145	3,917,747
Accrued payroll and related taxes	404,346	296,333
Accrued expenses	786,095	259,104
Total current liabilities	22,986,682	4,473,184
Loan payable under credit agreement to beneficial shareholder net of \$39,468 in 2017 and \$631,488 in 2016 of unamortized issuance costs and current portion	4,698,032	10,156,719
Total liabilities	27,684,714	14,629,903
COMMITMENTS (Note 10)		
STOCKHOLDERS' EQUITY		
Series 1 Convertible Preferred stock, \$0.001 par value- authorized 250,000 shares, issued and outstanding 239,405 shares in 2017 and 243,065 in 2016 at \$5.00 stated value	1,197,025	1,215,325
Series 2 Convertible Preferred stock, \$0.001 par value- authorized 25,000 shares, issued and outstanding 21,952 shares at \$1,000 stated value	21,952,000	21,952,000
Common stock, \$0.0001 par value- authorized 15,000,000 shares, issued and outstanding 5,294,501 shares in 2017 and 5,287,281 in 2016	529	529
Additional paid in capital	22,445,691	22,298,439
Accumulated deficit	(39,271,333)	(30,940,572)
Total stockholders' equity	6,323,912	14,525,721
	\$ 34,008,626	\$ 29,155,624

The accompanying notes to consolidated financial statements are an integral part of these statements.

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended	
	December 31,	
	<u>2017</u>	<u>2016</u>
Revenues:		
Lease revenues and fees	\$ 65,412,131	\$ 46,513,235
Lease merchandise sold	1,634,233	1,066,350
Total revenues	<u>67,046,364</u>	<u>47,579,585</u>
Costs and expenses:		
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	31,453,246	22,734,553
Cost of lease merchandise sold	998,800	687,991
Provision for doubtful accounts	19,135,207	13,281,242
Marketing	6,094,330	10,193,052
Salaries and benefits	7,862,714	5,946,401
Other operating expenses	7,664,566	5,064,869
Total costs and expenses	<u>73,208,863</u>	<u>57,908,108</u>
Operating loss	(6,162,499)	(10,328,523)
Interest expense including amortization of debt issuance costs	2,168,262	1,925,184
Net loss	<u>(8,330,761)</u>	<u>(12,253,707)</u>
Cumulative dividends on Series 2 Convertible Preferred Shares	2,316,396	1,211,964
Net loss attributable to common shareholders	<u>\$ (10,647,157)</u>	<u>\$ (13,465,671)</u>
Basic and diluted (loss) per common share:		
Net loss	<u>\$ (2.01)</u>	<u>\$ (2.57)</u>
Weighted average common shares outstanding:		
Basic and diluted	<u>5,290,944</u>	<u>5,249,476</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31, 2017 and 2016

	Series 1 Convertible Preferred Stock		Series 2 Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, January 1, 2016	328,197	\$ 1,640,985	-	-	5,210,408	\$ 521	\$23,213,318	\$(18,686,865)	\$ 6,167,959
Sale of Series 2 Preferred Stock	-	-	21,952	\$21,952,000	-	-	-	-	21,952,000
Fair value of warrants issued to placement agent in conjunction with sale of Series 2 Preferred Stock	-	-	-	-	-	-	150,451	-	150,451
Costs related to sale of Series 2 Preferred Stock	-	-	-	-	-	-	(1,669,790)	-	(1,669,790)
Provision for compensation expense related to issued stock options	-	-	-	-	-	-	136,308	-	136,308
Conversion of preferred stock to common stock	(85,132)	(425,660)	-	-	51,873	5	425,655	-	-
Exercise of stock options	-	-	-	-	25,000	3	42,497	-	42,500
Net loss	-	-	-	-	-	-	-	(12,253,707)	(12,253,707)
Balance, December 31, 2016	243,065	1,215,325	21,952	21,952,000	5,287,281	529	22,298,439	(30,940,572)	14,525,721
Provision for compensation expense related to issued stock options	-	-	-	-	-	-	113,952	-	113,952
Exercise of stock options	-	-	-	-	5,000	-	15,000	-	15,000
Conversion of preferred stock to common stock	(3,660)	(18,300)	-	-	2,220	-	18,300	-	-
Net loss	-	-	-	-	-	-	-	(8,330,761)	(8,330,761)
Balance, December 31, 2017	239,405	\$ 1,197,025	21,952	\$21,952,000	5,294,501	\$ 529	\$22,445,691	\$(39,271,333)	\$ 6,323,912

The accompanying notes to consolidated financial statements are an integral part of these statements.

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (8,330,761)	\$ (12,253,707)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation and impairment of lease merchandise	31,453,246	22,734,553
Other depreciation and amortization	2,090,581	1,566,507
Compensation expense related to issuance of stock options and warrants	113,952	136,308
Provision for uncollectible accounts	19,135,207	13,281,242
Changes in operating assets and liabilities:		
Accounts receivable	(21,212,888)	(14,710,870)
Prepaid expenses and other	32,296	(124,707)
Lease merchandise	(34,298,108)	(30,100,878)
Security deposits	(10,206)	(1,493)
Accounts payable	3,784,397	2,133,818
Accrued payroll and related taxes	108,013	44,814
Accrued expenses	535,437	(78,016)
Net cash (used in) operating activities	(6,598,834)	(17,372,429)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment, including capitalized software costs	(2,021,538)	(1,855,088)
Net cash (used in) investing activities	(2,021,538)	(1,855,088)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of loans from shareholder	-	1,000,000
Repayment of loans from shareholder	-	(1,000,000)
Proceeds from loan payable under credit agreement	10,450,000	4,941,359
Repayment of loan payable under credit agreement	(2,288,208)	(4,172,714)
Proceeds from exercise of stock options	15,000	42,500
Proceeds from sale of Series 2 Convertible Preferred Stock, net of related costs of \$1,519,339 in 2016	-	20,432,661
Net cash provided by financing operations	8,176,792	21,243,806
(DECREASE)/ INCREASE IN CASH	(443,580)	2,016,289
CASH, beginning of year	5,412,495	3,396,206
CASH, end of year	\$ 4,968,915	\$ 5,412,495
Supplemental cash flow information:		
Interest paid	\$ 1,649,795	\$ 1,459,756
Non-cash financing activities:		
Conversion of preferred stock to common stock	\$ 18,300	\$ 425,660
Warrants issued to placement agent in conjunction with sale of Series 2 Preferred Stock	\$ -	\$ 150,451

The accompanying notes to consolidated financial statements are an integral part of these statements.

FlexShopper Inc.

Notes To Consolidated Financial Statements

December 31, 2017 and 2016

1. BUSINESS:

FlexShopper, Inc. (the “Company”) is a corporation organized under the laws of the State of Delaware on August 16, 2006. The Company owns 100% of FlexShopper, LLC, a limited liability company incorporated under the laws of North Carolina on June 24, 2013. The Company is a holding corporation with no operations except for those conducted by FlexShopper LLC. FlexShopper LLC provides through e-commerce sites, certain types of durable goods to consumers on a lease-to-own basis (“LTO”) including consumers of third party retailers and e-tailers.

In January 2015, in connection with the credit agreement entered into in March 2015 (see Note 5), FlexShopper 1 LLC and FlexShopper 2 LLC were organized as wholly owned Delaware subsidiaries of FlexShopper LLC to conduct operations. FlexShopper LLC together with its subsidiaries are hereafter referred to as “FlexShopper.”

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of intercompany balances and transactions.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition - Merchandise is leased to customers pursuant to lease purchase agreements which provide for weekly lease terms with non-refundable lease payments. Generally the customer has the right to acquire title either through a 90 day same as cash option, an early purchase option, or through payments of all required lease payments, generally 52 weeks, for ownership. On any current lease, customers have the option to cancel the agreement in accordance with lease terms and return the merchandise. Accordingly, customer agreements are accounted for as operating leases with lease revenues recognized in the month they are due on the accrual basis of accounting. Merchandise sales revenue is recognized when the customer exercises the purchase option and pays the purchase price. Revenue from processing fees earned upon exercise by the customer of the 90 day purchase option is recorded upon recognition of the related merchandise sales. Commencing in the quarter ended June 30, 2016, the Company discontinued charging a separate fee upon exercise of such option. Revenue for lease payments received prior to their due date is deferred and recognized as revenue in the period to which the payments relate. Revenues from leases and sales are reported net of sales taxes.

Accounts Receivable and Allowance for Doubtful Accounts – FlexShopper seeks to collect amounts owed under its leases from each customer on a weekly basis by charging his or her bank account or credit card. Accounts receivable are principally comprised of lease payments currently owed to FlexShopper which are past due as FlexShopper has been unable to successfully collect in the aforementioned manner. Through June 30, 2016, an allowance for doubtful accounts was estimated by reserving all accounts in excess of four payments in arrears, adjusted for subsequent collections. Commencing in the quarter ended September 30, 2016, the estimate was revised to provide for doubtful accounts based upon revenues and historical experience of balances charged off as a percentage of revenues. The accounts receivable balances consisted of the following as of December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Accounts receivable	\$ 6,399,233	\$ 11,690,495
Allowance for doubtful accounts	(2,139,765)	(9,508,708)
Accounts receivable, net	<u>\$ 4,259,468</u>	<u>\$ 2,181,787</u>

The allowance is a significant percentage of the balance because FlexShopper does not charge off any customer account until it has exhausted all collection efforts with respect to each account including attempts to repossess items. In addition, while collections are pursued, the same delinquent customers will continue to accrue weekly charges until they are charged off. The allowance for bad debt at January 1, 2016 was \$4,727,278. During the years ended December 31, 2017 and 2016, \$26,504,150 and \$8,499,812 of accounts receivable balances, respectively, were charged off against the allowance. During the years ended December 31, 2017 and 2016, the provision for bad debts was \$19,135,207 and \$13,281,242, respectively.

Lease Merchandise – Until all payment obligations for ownership are satisfied under the lease agreement, the Company maintains ownership of the lease merchandise. Lease merchandise consists primarily of residential furniture, consumer electronics, computers, appliances and household accessories and is recorded at cost net of accumulated depreciation. The Company depreciates leased merchandise using the straight line method over the applicable agreement period for a consumer to acquire ownership, generally twelve months with no salvage value. Upon transfer of ownership of merchandise to customers resulting from satisfaction of their lease obligations, the related cost and accumulated depreciation are eliminated from lease merchandise. For lease merchandise returned or anticipated to be returned either voluntarily or through repossession, the Company provides an impairment reserve for the undepreciated balance of the merchandise net of any estimated salvage value with a corresponding charge to cost of lease revenue. The cost, accumulated depreciation and impairment reserve related to such merchandise are written off upon determination that no salvage value is obtainable. The impairment charge amounted to approximately \$4,575,000 and \$5,021,000 for the years ended December 31, 2017 and 2016 respectively. The net leased merchandise balances consisted of the following as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Lease merchandise at cost	\$ 34,501,555	\$ 33,264,810
Accumulated depreciation	(11,974,953)	(11,578,267)
Impairment reserve	(1,111,280)	(3,116,083)
Lease merchandise, net	<u>\$ 21,415,322</u>	<u>\$ 18,570,460</u>

Cost of lease merchandise sold represents the undepreciated cost of rental merchandise at the time of sale.

Deferred Debt Issuance Costs – Debt issuance costs incurred in conjunction with the Credit Agreement entered into on March 6, 2015 (see Note 5) are offset against the outstanding balance of the loan payable and are amortized using the straight line method over the remaining term of the related debt, which approximates the effective interest method. Amortization which is included in interest expense was \$473,616 and \$451,304 for the years ended December 31, 2017 and 2016, respectively.

Software Costs - Costs related to developing or obtaining internal-use software incurred during the preliminary project and post-implementation stages of an internal use software project are expensed as incurred and certain costs incurred in the project's application development stage are capitalized as property and equipment. The Company expenses costs related to the planning and operating stages of a website. Costs associated with minor enhancements and maintenance for the website are included in expenses as incurred. Direct costs incurred in the website's development stage are capitalized as property and equipment. Capitalized software costs amounted to \$1,894,172 and \$1,773,574 for the years ended December 31, 2017 and 2016, respectively.

Operating Expenses – Operating expenses include corporate overhead expenses such as, stock based compensation, insurance, occupancy, and other administrative expenses.

Marketing costs which primarily consist of advertising are charged to expense as incurred.

Per Share Data – Per share data is computed by use of the two-class method as a result of outstanding Series 1 Convertible Preferred Stock which participates in dividends with the common stock and accordingly, has participation rights in undistributed earnings as if all such earnings had been distributed during the period (see Note 6). Under such method, income available to common shareholders is computed by deducting both dividends declared or, if not declared, accumulated on Series 2 Convertible Preferred Stock from income from continuing operations and from net income. Loss attributable to common shareholders is computed by increasing loss from continuing operations and net loss by such dividends. Where the Company has undistributed net income available to common shareholders, basic earnings per common share is computed based on the total of any dividends paid or declared per common share plus undistributed income per common share determined by dividing net income available to common shareholders reduced by any dividends paid or declared on common and participating Series 1 Convertible Preferred Stock by the total of the weighted average number of common shares outstanding plus the weighted average number of common shares issuable upon conversion of outstanding participating Series 1 Convertible Preferred Stock during the period. Where the Company has a net loss, basic per share data (including income from continuing operations) is computed based solely on the weighted average number of common shares outstanding during the period. As the convertible participating preferred stock has no contractual obligation to share in the losses of the Company, common shares issuable upon conversion of such preferred stock are not included in such computations.

Diluted earnings per share is based on the more dilutive of the if-converted method (which assumes conversion of the participating preferred stock as of the beginning of the period) or the two-class method (which assumes that the participating preferred stock is not converted) plus the potential impact of dilutive non-participating Series 2 Convertible Preferred Stock, options and warrants. The dilutive effect of stock options and warrants is computed using the treasury stock method, which assumes the repurchase of common shares at the average market price during the period. Under the treasury stock method, options and warrants will have a dilutive effect when the average price of common stock during the period exceeds the exercise price of options or warrants. When there is a loss from continuing operations, potential common shares are not included in the computation of diluted loss per share, since they have an anti-dilutive effect.

In computing diluted loss per share, no effect has been given to the issuance of common stock upon conversion or exercise of the following securities as their effect is anti-dilutive:

	Year ended December 31,	
	2017	2016
Series 1 Convertible Preferred Stock	145,197	147,417
Series 2 Convertible Preferred Stock	2,710,124	2,710,124
Series 2 Convertible Preferred Stock issuable upon exercise of warrants	54,217	54,217
Options	335,900	411,600
Warrants	511,553	511,553
	<u>3,756,991</u>	<u>3,834,911</u>

Stock Based Compensation - The fair value of transactions in which the Company exchanges its equity instruments for employee services (share-based payment transactions) is recognized as an expense in the financial statements as services are performed.

Compensation expense is determined by reference to the fair value of an award on the date of grant and is amortized on a straight-line basis over the vesting period. We have elected to use the Black-Scholes-Merton (BSM) pricing model to determine the fair value of all stock option awards. See Note 7.

Fair Value of Financial Instruments – The carrying value of loans payable under the Credit Agreement increased by unamortized issuance costs (see Note 5) approximates fair value.

Income Taxes – Deferred tax assets and liabilities are determined based on the estimated future tax effects of net operating loss carryforwards and temporary differences between the tax bases of assets and liabilities and their respective financial reporting amounts measured at the current enacted tax rates. The Company records a valuation allowance for its deferred tax assets when management concludes that it is not more likely than not that such assets will be recognized.

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of December 31, 2017 and 2016, the Company has not recorded any unrecognized tax benefits.

Interest and penalties related to liabilities for uncertain tax positions will be charged to interest and operating expenses, respectively.

Recent Accounting Pronouncements – In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, on revenue recognition. The new standard provides for a single five-step model to be applied to all revenue contracts with customers as well as requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted, but not before the original effective date of the standard. The Company evaluated the impact of the new guidance but it does not have a material impact on its financial statements as a majority of the Company’s revenue generating activities are leasing arrangements which are outside the scope of the guidance.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018 with early adoption permitted. Under ASU 2016-02, lessees will be required to recognize for all leases at the commencement date a lease liability, which is a lessee’s obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee’s right to use or control the use of a specified asset for the lease term. Lessor guidance is largely unchanged. The Company is currently evaluating the effect that the new guidance will have on its financial statements.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	Estimated Useful Lives	December 31, 2017	December 31, 2016
Furniture, fixtures and vehicle	2-5 years	\$ 153,909	\$ 98,564
Website and internal use software	3 years	5,827,771	3,933,600
Computers and software	3-7 years	691,499	619,477
		6,673,179	4,651,641
Less: accumulated depreciation and amortization		(3,725,015)	(2,111,127)
		<u>\$ 2,948,164</u>	<u>\$ 2,540,514</u>

Depreciation and amortization expense was \$1,613,888 and \$1,112,127 for the years ended December 31, 2017 and 2016, respectively.

4. LOANS PAYABLE TO SHAREHOLDER:

On February 11, 2016, the Company entered into a secured Promissory Note with a principal stockholder for \$1,000,000 at an interest rate of 15% per annum, payable upon demand, secured by substantially all of the Company’s assets. The Promissory Note was paid in full with interest amounting to \$51,250 on June 13, 2016.

5. LOAN PAYABLE UNDER CREDIT AGREEMENT

On March 6, 2015, FlexShopper entered into a credit agreement (as amended from time to time, and including the Fee Letter (as defined therein), the “Credit Agreement”) with Wells Fargo Bank, National Association as paying agent, various lenders from time to time party thereto and WE 2014-1, LLC as administrative agent and lender (the “Lender”). FlexShopper is permitted to borrow funds under the Credit Agreement based on FlexShopper’s cash on hand and the Amortized Order Value of its Eligible Leases (as such terms are defined in the Credit Agreement) less certain deductions described in the Credit Agreement. Under the terms of the Credit Agreement, subject to the satisfaction of certain conditions, FlexShopper may borrow up to \$25,000,000 from the Lender for a term of two years from the date of the Credit Agreement (which term has since been extended, as described below).

The Credit Agreement provides that FlexShopper may not incur additional indebtedness (other than expressly permitted indebtedness) without the permission of the Lender and also prohibits dividends on common stock. The Credit Agreement includes customary events of default, including, among others, failures to make payment of principal and interest, breaches or defaults under the terms of the Credit Agreement and related agreements entered into with the Lender, breaches of representations, warranties or certifications made by or on behalf of FlexShopper in the Credit Agreement and related documents (including certain financial and expense covenants), deficiencies in the borrowing base, certain judgments against FlexShopper and bankruptcy events.

On January 27, 2017, FlexShopper entered into a fifth amendment to the Credit Agreement (the “Omnibus Amendment”). The Omnibus Amendment amended the Credit Agreement to, among other things, (1) extend the Commitment Termination Date from May 6, 2017 to April 1, 2018 (with a one-time right of extension by the lenders up to August 31, 2018), (2) require the Company to refinance the debt under the Credit Agreement upon a Permitted Change of Control (as defined in the Credit Agreement), subject to the payment of an early termination fee, (3) reduce the interest rate charged on amounts borrowed to be LIBOR plus 14% per annum and reduce the non-usage fee on undrawn amounts if the facility is less than 75% drawn on average, and (4) modify certain permitted debt and financial covenants. These modified covenants consist of a reduction of Equity Book Value to not be less than the sum of \$6 million and 20% of any additional equity capital invested into the Company after December 31, 2016; maintaining at least \$1.5 million in Unrestricted Cash; and the ratio of Consolidated Total Debt to Equity Book Value not exceeding 4.75:1. The Company was in compliance with its covenants as of December 31, 2017. The Company had \$1,061,000 available under the Credit Agreement as of December 31, 2017.

Principal payable within twelve months of the balance sheet date based on the outstanding loan balance at such date is reflected as a current liability in the accompanying balance sheets. Interest expense incurred under the Credit Agreement for the years ended December 31, 2017 and 2016 was \$1,694,096 and \$1,422,630, respectively. As of December 31, 2017, the outstanding balance under the Credit Agreement was \$18,950,000. The Company repaid \$788,208 in the second quarter of 2017 as a result of a pay down of the seasonal over advance from 2016. The Company repaid \$1,500,000 in the third quarter of 2017 as a result of lower quarter over quarter lease origination, and \$4,172,174 in 2016, resulting primarily from the repayment of the Bridge Loan Amount upon the Equity Raise. Interest is payable monthly on the outstanding balance of the amounts borrowed.

See Note 11 for subsequent events related to the Credit Agreement.

6. CAPITAL STRUCTURE:

The Company’s capital structure consists of preferred and common stock as described below:

The Company was authorized to issue 10,000,000 shares of \$0.001 par value preferred stock. On May 10, 2017, the Company’s stockholders approved an amendment to its Certificate of Incorporation to reduce the number of authorized shares of preferred stock to 500,000 shares. The Company’s Board of Directors determines the rights and preferences of the Company’s preferred stock.

Series 1 Convertible Preferred Stock – On January 31, 2007, the Company filed a Certificate of Designations with the Secretary of State of Delaware. 250,000 preferred shares are designated as Series 1 Convertible Preferred Stock. Series 1 Convertible Preferred Stock ranks senior to common stock.

As of December 31, 2017, each share of Series 1 Convertible Preferred Stock was convertible into 0.60649 shares of the Company's common stock, subject to certain anti-dilution rights. The holders of the Series 1 Convertible Preferred Stock have the option to convert the shares to common stock at any time. Upon conversion, all accumulated and unpaid dividends, if any, will be paid as additional shares of common stock. The holders of Series 1 Convertible Preferred Stock have the same dividend rights as holders of common stock, as if the Series 1 Convertible Preferred Stock had been converted to common stock.

During the year ended December 31, 2016, 85,132 shares of Series 1 Convertible Preferred Stock were converted into 51,983 shares of common stock. During the year ended December 31, 2017, 3,660 shares of Series 1 Convertible Preferred Stock were converted into 2,220 shares of common stock. As of December 31, 2017, there were 239,405 shares of Series 1 Convertible Preferred Stock outstanding, which are convertible into 145,197 shares of common stock.

Series 2 Convertible Preferred Stock – On June 10, 2016, the Company entered into a Subscription Agreement with B2 FIE V LLC (the "Investor"), an entity affiliated with Pacific Investment Management Company LLC, providing for the issuance and sale of 20,000 shares of Series 2 Convertible Preferred Stock for gross proceeds of \$20.0 million. The Company sold an additional 1,952 shares of Series 2 Convertible Preferred Stock to a different investor for gross proceeds of \$1.95 million at a subsequent closing.

Pursuant to the authority expressly granted to the Board of Directors by the provisions of the Company's Certificate of Incorporation, the Board of Directors of the Company created and designated 25,000 shares of Series 2 Convertible Preferred Stock, par value \$.001 per share ("Series 2 Preferred Shares"), by filing a Certificate of Designations with the Delaware Secretary of State (the "Series 2 Certificate of Designations"). The Series 2 Preferred Shares were sold for \$1,000 per share (the "Stated Value") and accrue dividends on the Stated Value at an annual rate of 10% compounded annually. Cumulative dividends in arrears totaled \$3,528,361 at December 31, 2017. Each Series 2 Preferred Share is convertible at a conversion price of \$8.10 into approximately 124 shares of common stock; provided, the conversion price is subject to reduction pursuant to a weighted average anti-dilution provision contained in the Series 2 Certificate of Designations. The holders of the Series 2 Preferred Shares have the option to convert such shares into shares of common stock and have the right to vote with holders of common stock on an as-converted

basis. If, during the two year period commencing on the date of issuance, the average closing price during any 45 consecutive trading day period equals or exceeds \$17.50 per common share, or a change of control transaction (as defined in the Series 2 Certificate of Designations) values the Company's common stock at \$17.50 per share or greater; or after this two year period the average closing price during any 45 day consecutive trading day period or change of control transaction values the common stock at a price equal to or greater than \$23.00 per share, then conversion shall be automatic. Upon a Liquidation Event or Deemed Liquidation Event (each as defined in the Series 2 Certificate of Designations), holders of Series 2 Preferred Shares shall be entitled to receive out of the assets of the Company prior to and in preference to the common stock and Series 1 Convertible Preferred Stock an amount equal to the greater of (1) the Stated Value, plus any accrued and unpaid dividends thereon, and (2) the amount per share as would have been payable had all Series 2 Preferred Shares been converted to common stock immediately before the Liquidation Event or Deemed Liquidation Event.

Common Stock – The Company was authorized to issue 100,000,000 shares of \$0.0001 par value common stock. On May 10, 2017, at the Company's annual meeting of stockholders, the Company's stockholders approved an amendment to the Certificate of Incorporation to reduce the Company's authorized shares of common stock to 15,000,000. Each share of common stock entitles the holder to one vote at all stockholder meetings.

In connection with entering into the Credit Agreement on March 6, 2015, the Company raised approximately \$8.6 million in net proceeds through direct sales of 1.7 million shares of its common stock to certain affiliates of the Lender and other accredited investors for a purchase price of \$5.50 per share. As a result of the sale to certain affiliates, the Lender is considered a beneficial shareholder of the Company.

On March 17, 2016, the Company's stockholders, acting by written consent, approved an amendment to the Certificate of Incorporation to effect a reverse stock split of the Company's common stock. On October 14, 2016, the Company filed with the Secretary of State of the State of Delaware a certificate of amendment (the "Certificate of Amendment") to its certificate of incorporation, which Certificate of Amendment effectuated as of October 24, 2016 the Reverse Split by a ratio of one-for-10. All share and per share data in these financial statements and footnotes have been retrospectively adjusted to account for the Reverse Split.

7. STOCK OPTIONS

On January 31, 2007, the Board of Directors adopted our 2007 Omnibus Equity Compensation Plan (the “2007 Plan”), with 210,000 common shares authorized for issuance under the Plan. In October 2009, the Company’s stockholders approved an increase in the number of shares covered by the Plan to 420,000 shares. On March 26, 2015, the Board adopted our 2015 Omnibus Equity Compensation Plan (the “2015 Plan”), with 400,000 common shares authorized for issuance under the 2015 Plan, which was ratified by the Company’s stockholders on September 15, 2015. The 2007 Plan and 2015 Plan are collectively referred to as the “Plans.” Grants under the Plans may consist of incentive stock options, non-qualified stock options, stock appreciation rights, stock awards, stock unit awards, dividend equivalents and other stock based awards. Employees, directors and consultants and other service providers are eligible to participate in the Plans. Options granted under the Plans vest over periods ranging from immediately upon grant to a three year period and expire ten years from date of grant. Employees, directors and consultants and other service providers are eligible to participate in the Plan. Options granted under the plan vest over periods ranging from immediately upon grant to a three year period and expire ten years from date of grant.

Activity in stock options for the year ended December 31, 2017 follows:

	Number of options	Weighted average exercise price	Weighted average contractual term (years)	Aggregate intrinsic value
Outstanding at January 1, 2016	406,700	\$ 8.50		
Granted	70,700	5.70		
Forfeited	(40,800)	6.70		
Exercised	(25,000)	1.70		
Outstanding at December 31, 2016	411,600	8.63		
Granted	106,000	4.24		
Forfeited	(16,700)	6.01		
Expired	(160,000)	12.50		
Exercised	(5,000)	3.00		
Outstanding at December 31, 2017	335,900	\$ 5.61	7.19	\$ 52,500
Vested and exercisable at December 31, 2017	212,500	\$ 6.27	6.01	\$ 52,500
Vested and exercisable at December 31, 2017 and expected to vest thereafter	331,600	\$ 5.61	7.19	\$ 52,500

The weighted average grant date fair value of options granted during 2016 and 2017 was \$2.03 and \$1.65 per share respectively. The Company measured the fair value of each option award on the date of grant using the Black Scholes option pricing model (BSM) with the following assumptions:

	2016	2017
Exercise price	\$ 4.90 to \$6.60	\$ 4.02 to \$ 5.25
Expected life	5.5 years	5.8 years
Expected volatility	38%	38%
Dividend yield	0%	0%
Risk-free interest rate	1.13% to 1.73%	1.89% to 2.06%

The expected dividend yield is based on the Company’s historical dividend yield. The expected volatility was based on the average of historical volatilities for a period comparable to the expected life of the options of certain entities considered to be similar to the Company. The expected life is based on the simplified expected term calculation permitted by the SEC which defines the expected life as the average of the contractual term of the options and the weighted-average vesting period for all option tranches. The risk-free interest rate is based on the annual yield on the grant date of a zero-coupon U.S. Treasury bond the maturity of which equals the option’s expected life.

The value of stock options is recognized as compensation expense by the straight line method over the vesting period. Compensation expense recorded for options in the statements of operations was \$113,952 and \$136,308 for the years ended December 31, 2017 and 2016, respectively. Unrecognized compensation cost related to non-vested options at December 31, 2017 amounted to \$128,781 which is expected to be recognized over a weighted average period of 2.12 years.

8. WARRANTS:

On June 24, 2016, the Company granted warrants to one of the Company's placement agents to purchase 439 shares of the Company's Series 2 Convertible Preferred Stock at an initial exercise price of \$1,250 per share. The exercise price and aggregate number of shares are subject to adjustment as set forth in the agreement.

The following information was input into the Black Scholes pricing model to compute a fair value of \$342.71 for each warrant for a total fair value of \$150,451.

Exercise price	\$ 1,250
Expected life	7 years
Expected volatility	38%
Dividend yield	0%
Risk-free interest rate	1.35%

The following table summarizes information about outstanding stock warrants as of December 31, 2017, all of which are exercisable:

Exercise Price	Common Stock Warrants Outstanding	Series 2 Preferred Stock Warrants Outstanding	Weighted Average Remaining Contractual Life
\$ 11.00	134,250		1 years
\$ 10.00	200,000		3 years
\$ 5.50	177,303		4 years
\$ 1,250	-	439	6 years
	<u>511,553</u>	<u>439</u>	

9. INCOME TAXES:

Reconciliation of the benefit for income taxes from continuing operations recorded in the consolidated statements of operations with the amounts computed at the statutory federal tax rates for each year:

	2017	2016
Federal tax benefit at statutory rate	\$ (2,830,000)	\$ (4,167,000)
State tax benefit, net of federal tax	(142,000)	(293,000)
Permanent differences	39,000	43,000
Change in statutory rate	86,000	216,000
Change in valuation allowance	(1,934,000)	4,075,000
Change in federal tax rate	4,747,000	-
Other	34,000	126,000
Benefit for income taxes	<u>\$ -</u>	<u>\$ -</u>

Tax affected components of deferred tax assets and deferred tax liabilities at December 31, 2017 and 2016 were as follows:

	2017	2016
Deferred tax assets:		
Equity based compensation	\$ 170,000	\$ 254,000
Allowance for doubtful accounts	493,000	3,462,000
Lease merchandise	779,000	813,000
Fixed assets	4,000	11,000
Lease Impairment	256,000	1,135,000
Deferred rent	2,000	-
Accrued expenses	45,000	-
Federal loss carry-forwards	6,302,000	4,668,000
State loss carry forward	696,000	338,000
Gross deferred tax assets	8,747,000	10,681,000
Valuation allowance	(8,747,000)	(10,681,000)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

Based on consideration of the available evidence including historical losses a valuation allowance has been recognized to offset deferred tax assets, as management was unable to conclude that realization of deferred tax assets were more likely than not.

As of December 31, 2017, the Company has federal net operating loss carryforwards of approximately \$30,008,000 and state net operating loss carryforwards of approximately \$16,011,000 available to offset future taxable income which expire from 2014 to 2037.

Section 382 of the Internal Revenue Code imposes a limitation on a corporation's ability to utilize net operating loss carryforwards ("NOLs") if it experiences an "ownership change." In general, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. The Company has performed a formal Section 382 study and determined an ownership change has occurred.

The Company files tax returns in the U.S. federal jurisdiction and various states. At December 31, 2017, federal tax returns remained open for Internal Revenue Service review for tax years after 2013, while state tax returns remain open for review by state taxing authorities for tax years after 2013. There were no federal or state income tax audits being conducted as of December 31, 2017.

Under the 2017 tax reform bill signed into law on December 22, 2017, corporations will be taxed at a flat rate of 21%. The 21% rate will be applied for tax years beginning January 1, 2018. For tax years prior to 2018, a tiered tax bracket structure was used with tax rates ranging from 15% to 35% depending on the amount of corporate income subject to tax for the year. Deferred tax assets and deferred tax liabilities were revalued using enacted tax rate(s) expected to apply to taxable income in the period in which the deferred tax asset/liability is expected to be settled or realized. The effects of the change in tax rates on deferred tax balances were recognized through continuing operations in the period in which the new legislation was enacted. As the law was enacted on December 22, 2017, the impact to the net deferred tax assets due to the change in tax rate was recognized in the financial statements period ending December 31, 2017. Consequently, we have recorded a decrease related to the deferred income tax assets and the valuation allowance of \$4,747,000 for the year ended December 31, 2017 to reflect these changes.

The Company completed its analysis and review of all tax positions taken through December 31, 2017 and does not believe that there are any unrecognized tax benefits related to tax positions taken on its income tax returns.

10. COMMITMENTS:

Lease Commitments

FlexShopper entered into a lease, as amended, for office space through June 2019. On March 14, 2017, FlexShopper amended the lease agreement for an additional suite in an adjoining building.

On September 1, 2015, FlexShopper entered into a 48 month lease for additional office space in Fort Lauderdale, Florida to accommodate its call and customer service center.

On August 25, 2017, FlexShopper entered into a 12 month lease with two additional three year options for retail store space in West Palm Beach, Florida.

The rental expense for the years ended December 31, 2017 and 2016 was approximately \$331,900 and \$274,300, respectively. At December 31, 2017, the future minimum annual lease payments are approximately as follows:

2018	\$ 256,385
2019	144,201
	<u>\$ 400,586</u>

11. SUBSEQUENT EVENT:

On January 9, 2018, the Credit Agreement was modified to extend the Commitment Termination Date from April 1, 2018 to August 31, 2018. (See Note 5)

On January 29, 2018 and January 30, 2018, the Company entered into letter agreements with Russ Heiser, the Company's Chief Financial Officer, and NRNS Capital Holdings LLC ("NRNS"), respectively (such letter agreements, together, the "Commitment Letters"), pursuant to which the Company issued a subordinated promissory note to each of Mr. Heiser and NRNS (together, the "Notes"). The Commitment Letters provide that Mr. Heiser and NRNS each shall make advances to the Company under the applicable Note in aggregate amounts up to \$1,000,000 and \$2,500,000, respectively. Such amounts may be drawn by the Company until July 31, 2018 in one or more advances. Upon issuance of the Notes, the Company drew \$500,000 on the Note held by Mr. Heiser and \$2,500,000 on the Note held by NRNS. Payments of principal and accrued interest are due and payable by the Company upon 30 days' prior written notice from the applicable noteholder and the Company can prepay principal and interest at any time without penalty.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9.A Controls and Procedures.

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our management, including our principal executive officer and principal financial officer, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Based on that evaluation, our principal executive officer and principal financial officer have concluded that these disclosure controls and procedures were effective as of December 31, 2017 to provide reasonable assurance that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in Securities and Exchange Commission rules and forms and that material information relating to the Company is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance to the Company’s management and board of directors regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that: maintain records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary for preparation of our consolidated financial statements in accordance with generally accepted accounting principles; provide reasonable assurance that our receipts and expenditures are made only in accordance with authorizations of management and directors of the Company; and provide reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our consolidated financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2017. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our independent auditors have not audited and are not required to audit this assessment of our internal control over financial reporting for the fiscal year ended December 31, 2017.

Item 9.B. Other Information.

On July 27, 2017, the employment of Marc Malaga, Executive Vice President of Operations, ceased as a result of a mutual agreement between the parties.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required under this item is incorporated by reference to the following sections of our proxy statement for our 2018 Annual Meeting of Stockholders: “Information Concerning Directors and Nominees for Director,” “Information Concerning Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Corporate Governance Principles and Board Matters,” and “The Board of Directors and Its Committees.”

Item 11. Executive Compensation

The information required under this item is incorporated by reference to the following sections of our proxy statement for our 2018 Annual Meeting of Stockholders: “Compensation and Other Information Concerning Directors and Officers” and “The Board of Directors and Its Committees.”

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required under this item is incorporated by reference to the following sections of our proxy statement for our 2018 Annual Meeting of Stockholders: “Equity Compensation Plan Information” and “Securities Ownership of Certain Beneficial Owners and Management.”

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required under this item is incorporated by reference to the following sections of our proxy statement for our 2018 Annual Meeting of Stockholders: “Certain Relationships and Related Transactions” and “Corporate Governance Principles and Board Matters.”

Item 14. Principal Accounting Fees and Services

The information required under this item is incorporated by reference to the following sections of our proxy statement for our 2018 Annual Meeting of Stockholders: “Proposal 4–Ratification of Appointment of Independent Registered Public Accounting Firm.”

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Form 10-K:

- (1) Financial Statements: see “Consolidated Financial Statements” at Item 8 and incorporated herein by reference.
- (2) Financial Statement Schedules: Schedules to the Financial Statements have been omitted because the information required to be set forth therein is not applicable or is shown in the accompanying Financial Statements or notes thereto.
- (3) Exhibits: The following is a list of exhibits filed as a part of this Annual Report:

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of FlexShopper, Inc.*
3.2	Amended and Restated Bylaws (previously filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on March 7, 2018 and incorporated herein by reference)
4.1	Certificate of Designations of Series 1 Convertible Preferred Stock (previously filed as Exhibit 3.4 to the Company’s General Form of Registration on Form 10-SB filed on April 30, 2007 and incorporated herein by reference)
4.2	Certificate of Decrease of the Number of Authorized Shares of Preferred Stock of FlexShopper, Inc. Designated as Series 1 Preferred Stock (previously filed as Exhibit 4.6 to the Company’s Quarterly Report on Form 10-Q filed on November 14, 2017 and incorporated herein by reference)
4.3	Certificate of Designations for Series 2 Convertible Preferred Stock (previously filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on June 13, 2016 and incorporated herein by reference)
4.4	Common Stock Purchase Warrant, dated October 9, 2014, issued by FlexShopper, Inc. to Fordham Financial Management, Inc. (previously filed as Exhibit 4.1 to the Company’s Registration Statement on Form S-1 (File No. 333-201644) and incorporated herein by reference)
4.5	Common Stock Purchase Warrant, dated October 9, 2014, issued by FlexShopper, Inc. to Paulson Investment Company, Inc. (previously filed as Exhibit 4.2 to the Company’s Registration Statement on Form S-1 (File No. 333-201644) and incorporated herein by reference)
4.6	Common Stock Purchase Warrant, dated October 9, 2014, issued by FlexShopper, Inc. to Spartan Capital Securities, LLC (previously filed as Exhibit 4.3 to the Company’s Registration Statement on Form S-1 (File No. 333-201644) and incorporated herein by reference)
10.1	Office Lease, dated August 7, 2013, by and between Fountain Square Acquisition Company LLC and FlexShopper, LLC*
10.2	First Amendment to Lease Agreement, dated January 24, 2014, by and between Fountain Square Acquisition Company LLC and FlexShopper, LLC (previously filed as Exhibit 10.34 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference)
10.3	Second Amendment to Lease Agreement, dated March 14, 2017, by and between Fountain Square Acquisition Company LLC and FlexShopper, LLC*
10.4	Agreement of Lease, dated September 1, 2015, by and between the Oakland Commerce Center, LLC and FlexShopper, LLC (previously filed as Exhibit 10.02 to the Company’s Annual Report on Form 10-K filed on March 30, 2016 and incorporated herein by reference)
10.5	Standard Retail Space Lease, dated August 25, 2017, by and between FlexShopper LLC and 1014 Pepper, Inc.*
10.6+	Executive Employment Agreement, dated January 31, 2007, by and between the Company and Brad Bernstein (previously filed as Exhibit 10.3 to the Company’s General Form of Registration on Form 10-SB filed on April 30, 2007 and incorporated herein by reference)
10.7	Credit Agreement, dated as of March 6, 2015, by and among FlexShopper 2, LLC, Wells Fargo Bank, N.A., various Lenders from time to time party thereto and WE 2014-1, LLC (previously filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on March 12, 2015 and incorporated herein by reference)

10.8	Investor Rights Agreement, dated as of March 6, 2015, by and among the Company, the Management Stockholders and affiliates of Waterfall (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 12, 2015 and incorporated herein by reference)
10.9	Form of Investor Rights Agreement, dated as of March 6, 2015, by and among the Company and the Investors party thereto (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 12, 2015 and incorporated herein by reference)
10.10	Amendment No. 1 to the Credit Agreement, dated November 6, 2015, by and among FlexShopper 2, LLC and WE 2014-1, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 12, 2015 and incorporated herein by reference)
10.11	Amendment No. 2 to the Credit Agreement, dated November 6, 2015, by and among FlexShopper 2, LLC and WE 2014-1, LLC (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 12, 2015 and incorporated herein by reference)
10.12+	Executive Employment Agreement, dated December 1, 2015, by and between the Company and Russ Heiser (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 7, 2015 and incorporated herein by reference)
10.13	Amendment No. 3 to the Credit Agreement, Consent and Temporary Waiver, dated February 11, 2016, by and among FlexShopper 2, LLC and WE-2014-1, LLC (previously filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K filed on March 30, 2016 and incorporated herein by reference)
10.14+	2007 Omnibus Equity Compensation Plan (previously filed as Exhibit 99.1 to the Company's General Form of Registration on Form 10-SB filed on April 30, 2007 and incorporated herein by reference)
10.15+	Form of Non-Qualified Stock Option Grant issuable under 2007 Omnibus Equity Compensation Plan (previously filed as Exhibit 99.2 to the Company's General Form of Registration on Form 10-SB filed on April 30, 2007 and incorporated herein by reference)
10.16+	Amendment to 2007 Omnibus Equity Compensation Plan (previously filed as Exhibit 99.3 to the Company's Annual Report on Form 10-K filed on March 29, 2012 and incorporated herein by reference)
10.17+	2015 Omnibus Equity Compensation Plan (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on September 21, 2015 and incorporated herein by reference)
10.18+	Form of Stock Option Agreement issuable under 2015 Omnibus Equity Compensation Plan (previously filed as Exhibit 10.18 to the Company's Annual Report on Form 10-K filed on March 30, 2016 and incorporated herein by reference)
10.19	Amendment No. 4 to the Credit Agreement and Waiver, dated March 29, 2016, by and among FlexShopper 2, LLC and WE-2014-1, LLC (previously filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K filed on March 30, 2016 and incorporated herein by reference)
10.20	Omnibus Amendment, dated January 27, 2017, by and among FlexShopper 2, LLC, FlexShopper, LLC and WE 2014-1, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 31, 2017 and incorporated herein by reference)
10.21+	Non-Employee Director Compensation Policy (previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 11, 2017 and incorporated herein by reference)
10.22	Letter Agreement, dated January 9, 2018, by and between FlexShopper 2, LLC and WE 2014-1, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 12, 2018 and incorporated herein by reference)
10.23	Form of Commitment Letter and Subordinated Promissory Note issued by FlexShopper, LLC to each of Russ Heiser and NRNS Capital Holdings LLC*
14.1	Code of Ethics for Senior Financial Officers (previously filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference)
21.0	Subsidiaries of the Company*
23.1	Consent of EisnerAmper LLP*
31.1	Rule 13a-14(a) Certification – Principal Executive Officer*
31.2	Rule 13a-14(a) Certification – Principal Financial Officer*
32.1	Section 1350 Certification – Principal Executive Officer*
32.2	Section 1350 Certification – Principal Financial Officer*
101.INS	XBRL Instance Document, XBRL Taxonomy Extension Schema*
101.SCH	Document, XBRL Taxonomy Extension*
101.CAL	Calculation Linkbase, XBRL Taxonomy Extension Definition*
101.DEF	Linkbase, XBRL Taxonomy Extension Labels*
101.LAB	Linkbase, XBRL Taxonomy Extension*
101.PRE	Presentation Linkbase*

+ Indicates a management contract or any compensatory plan contract or arrangement.

* Filed herewith.

Item 16. Form 10-K Summary

Note applicable

SIGNATURES

Pursuant to the requirements Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FLEXSHOPPER, INC.

Dated: March 8, 2018

By: /s/ Brad Bernstein
Brad Bernstein
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Brad Bernstein</u> Brad Bernstein	President, Chief Executive Officer (Principal Executive Officer) and Chairman of the Board	March 8, 2018
<u>/s/ James D. Allen</u> James D. Allen	Director	March 8, 2018
<u>/s/ Daniel Ballen</u> Daniel Ballen	Director	March 8, 2018
<u>/s/ T. Scott King</u> T. Scott King	Director	March 8, 2018
<u>/s/ Carl Pradelli</u> Carl Pradelli	Director	March 8, 2018
<u>/s/ Katherine Verner</u> Katherine Verner	Director	March 8, 2018
<u>/s/ Philip M. Gitler</u> Philip M. Gitler	Director	March 8, 2018
<u>/s/ Russ Heiser</u> Russ Heiser	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 8, 2018

CERTIFICATE OF INCORPORATION
OF
FLEXSHOPPER, INC., AS AMENDED TO DATE

[Conformed copy giving effect to all amendments since the filing of the original Certificate of Incorporation on April 30, 2007.]

FIRST

The name of the Corporation shall be FlexShopper, Inc.

SECOND

The Corporation will have perpetual existence.

THIRD

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

FOURTH

Section 1. Authorization of Shares.

The aggregate number of shares of capital stock which the Corporation will have authority to issue is 15,500,000 shares, consisting of 15,000,000 shares of common stock, having a par value of \$.0001 per share ("Common Stock"), and 500,000 shares of Preferred Stock, having a par value of \$.001 per share ("Preferred Stock").

Section 2. Common Stock.

2.1 Dividends. The holders of shares of Common Stock shall be entitled to receive such dividends as from time to time may be declared by the Board of Directors of the Corporation, subject to any preferential payments to which the holders of shares of any series of Preferred Stock shall be entitled as may be stated and expressed pursuant to the resolution establishing any such series of Preferred Stock.

2.2 Liquidation. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment shall have been made to any holders of shares of any series of Preferred Stock then outstanding of the full amounts of preferential payments to which they shall respectively be entitled as may be stated and expressed pursuant to the resolution establishing any such series of Preferred Stock, the holders of shares of Common Stock then outstanding shall be entitled to share ratably based upon the number of shares of Common Stock held by them in all remaining assets of the Corporation available for distribution to its shareholders.

2.3 Voting Rights. All shares of Common Stock shall be identical with each other in every respect. The shares of Common Stock shall entitle the holders thereof to one vote for each share upon all matters upon which shareholders have the right to vote.

Section 3. Preferred Stock.

The Board of Directors is authorized to establish, from time to time, one or more series of any class of shares, to increase or decrease the number within each series, and to fix the designations, powers, preferences and relative, participating, optional or other rights of such series and any qualification, limitations or restrictions thereof. All shares of any one series of Preferred Stock will be identical except as to the dates of issue and the dates from which dividends on shares of the series issued on different dates will cumulate, if cumulative. Authority is hereby expressly granted to the Board of Directors to authorize the issuance of one or more series of Preferred Stock, and to fix by resolution or resolutions providing for the issue of each such series the voting powers, designations, preferences, and relative, participating, optional, redemption, conversion, exchange or other special rights, qualifications, limitations or restrictions of such series, and the number of shares in each series, to the full extent now or hereafter permitted by law.

FIFTH

No stockholder of the Corporation will, solely by reason of holding shares of any class, have any preemptive or preferential right to purchase or subscribe for any shares of the Corporation, now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying warrants, rights or options to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares or such notes, debentures, bonds or other securities would adversely affect the dividend, voting or any other rights of such stockholder. The Board of Directors may authorize the issuance of, and the Corporation may issue, shares of any class of the Corporation, or any notes, debentures, bonds or other securities convertible into or carrying warrants, rights or options to purchase any such shares, without offering any shares of any class to the existing holders of any class of stock of the Corporation.

SIXTH

At all meetings of stockholders, a quorum will be present if the holders of a majority of the shares entitled to vote at the meeting are represented at the meeting in person or by proxy.

SEVENTH

Stockholders of the Corporation will not have the right of cumulative voting for the election of directors or for any other purpose.

EIGHTH

In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to adopt, alter, amend and repeal the Bylaws of the Corporation or to adopt new Bylaws. Directors need not be elected by written ballot unless expressly required by the Bylaws of the Corporation.

NINTH

The Corporation may, to the fullest extent permitted by the Delaware General Corporation Law, as the same exists or may hereafter be amended, indemnify any and all persons it has power to indemnify under such law from and against any and all of the expenses, liabilities or other matters referred to in or covered by such law. In addition, the Corporation shall indemnify each of the Corporation's directors and officers in each and every situation where, under Delaware General Corporation Law (specifically Section 145) the Corporation is not obligated, but is permitted or empowered, to make such indemnification, except as otherwise set forth in the Bylaws of the Corporation. Such indemnification may be provided pursuant to any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his director or officer capacity and as to action in another capacity while holding such office, will continue as to a person who has ceased to be a director, an officer, or a person for whom the Corporation has approved indemnification pursuant to the first sentence hereof, and will inure to the benefit of the heirs, executors and administrators of such a person.

If a claim under the preceding paragraph is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant will be entitled to be paid also the expense of prosecuting such claim. It will be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct that make it permissible under the laws of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense will be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the laws of the State of Delaware nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, will be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

TENTH

To the fullest extent permitted by the laws of the State of Delaware as the same exist or may hereafter be amended, a director of the Corporation will not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided however, that this Article shall not eliminate or limit the liability of a director: (i) for any breach of the director's duty of loyalty to the Corporation or stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended after the date of filing of this Certificate of Incorporation to authorize corporate action further limiting or eliminating the personal liability of a director, then the liability of the directors of the Corporation shall be limited or eliminated to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of this Article by the stockholders of the Corporation or otherwise shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification. The provisions of this Article shall not be deemed to limit or preclude indemnification of a director by the Corporation for any liability of a director that has not been eliminated by the provisions of this Article.

ELEVENTH

The address of the Corporation's initial registered office is 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle, and the name of its initial registered agent at that address is The Corporation Trust Company.

TWELFTH

The number of directors constituting the initial Board of Directors of the Corporation is one and the name and mailing address of such person, who is to serve as director until the first annual meeting of the stockholders or until his successor is elected and qualified, is:

<u>Name</u>	<u>Address</u>
Timothy P. Halter	12890 Hilltop Road Argyle, Texas 76226

Hereafter, the number of directors will be determined in accordance with the Bylaws of the Corporation.

THIRTEENTH

The powers of the incorporator will terminate upon the filing of this Certificate. The name and mailing address of the incorporator are:

<u>Name</u>	<u>Address</u>
Timothy P. Halter	12890 Hilltop Road Argyle, Texas 76226

FOURTEENTH

The Corporation shall not be governed by Section 203 of the Delaware General Corporation Law.

OFFICE LEASE

THIS OFFICE LEASE (the “Lease”) is made and entered into as of the Date of this Lease, by and between Landlord and Tenant. “Date of this Lease” shall mean the date on which the last one of the Landlord and Tenant has signed this Lease.

WITNESSETH:

Subject to and on the terms and conditions of this Lease, Landlord leases to Tenant and Tenant hires from Landlord the Premises.

1. **BASIC LEASE INFORMATION AND DEFINED TERMS.** The key business terms of this Lease and the defined terms used in this Lease are as follows:

1.1 **Landlord.** FOUNTAIN SQUARE ACQUISITION COMPANY LLC, a Delaware limited liability company authorized to transact business in Florida.

1.2 **Tenant.** FLEXSHOPPER, LLC a North Carolina limited liability company.

1.3 **Building.** The building containing the Premises located at 2650 North Military Trail, Boca Raton, Florida 33431. The Building is located within the Project. The real property upon which the Building is located is legally described in **EXHIBIT “A”** to this Lease.

1.4 **Project.** The parcel of land, the Building, and any other buildings and improvements located on such land known as Fountain Square and located at 2600 North Military Trail, 2650 North Military Trail, and 2700 North Military Trail, Boca Raton, Palm Beach County, Florida, 33431.

1.5 **Premises.** Suite No. 230 on the second floor of the Building. The Premises are depicted in the sketch attached as **EXHIBIT “B”**. Landlord reserves the right to install, maintain, use, repair, and replace pipes, ducts, conduits, risers, chases, wires, and structural elements leading through the Premises in locations that will not materially interfere with Tenant’s use of the Premises.

1.6 **Rentable Area of the Premises.** 2,924 square feet. This square footage figure includes an add-on factor for Common Areas in the Building and has been agreed upon by the parties as final and correct and is not subject to challenge or dispute by either party.

1.7 **Permitted Use of the Premises.** General office purposes only (see the Use article of this Lease).

1.8 **Commencement Date.** The earlier to occur of (a) the date when Tenant takes possession of any part of the Premises for the conduct of its business, or (b) the date of substantial completion of the Landlord’s Work, as defined in **Exhibit “E”** to this Lease. Substantial completion is the date on which the Landlord’s Work is substantially completed so that Tenant may use the Premises for their intended purpose, notwithstanding punchlist items or insubstantial details that remain to be performed.

1.9 **Lease Term.** A term commencing on the Commencement Date and continuing for 39 full calendar months (plus any partial calendar month in which the Commencement Date falls), as extended or sooner terminated under the terms of this Lease. If the Commencement Date falls on a day other than the first day of a month, the first month of the Lease Term shall be the month immediately following the Commencement Date and Tenant shall pay prorated Rent for the partial month.

1.10 **Base Rent.** The following amounts:

Period	Rate P/S/F Per Annum	Monthly Base Rent	Period Base Rent
Months 1 — 12	\$ 15.75	\$ 3,837.75	\$ 46,053.00*
Months 13 — 24	\$ 16.22	\$ 3,952.27	\$ 47,427.24
Months 25 — 36	\$ 16.71	\$ 4,071.67	\$ 48,860.04
Months 37 — 39	\$ 17.21	\$ 4,193.50	\$ 12,580.50

* See Base Rent Abatement in **Section 4.2** below.

Base Rent amounts shown above do not include applicable sales tax.

1.11 **Allocated Share.** 1.21%. This share is a stipulated percentage, agreed upon by the parties, and constitutes a material part of the economic basis of this Lease and the consideration to Landlord in entering into this Lease. Landlord may readjust the Allocated Share from time to time based on changes in the rentable area of the Building.

1.12 **Security Deposit.** \$7,234.61, to be paid to Landlord upon execution of this Lease by Tenant.

1.13 **Prepaid Rent.** \$6,857.51, to be paid to Landlord upon execution of this Lease by Tenant.

1.14 **Tenant’s Notice Address.** All notices to Tenant under this Lease should be sent to:

FlexShopper, LLC
 2650 North Military Trail, Suite 230
 Boca Raton, FL 33431
 Telephone: _____
 Facsimile: _____

1.15 **Landlord’s Notice Address.**

For all Notices:

FOUNTAIN SQUARE ACQUISITION COMPANY LLC

 c/o NAT Merin Hunter Codman, Inc.
 11780 U.S. Highway One, Suite 105
 Palm Beach Gardens, FL 33408
 Attention: Property Manager
 Telephone: 561.627.0184
 Facsimile: 561.627.8063

With a copy to:

FOUNTAIN SQUARE ACQUISITION COMPANY LLC

 c/o .PMorgan Asset Management
 NY 1-K150
 270 Park Avenue, 7th Floor
 New York, NY 10017
 Attention: Robert G. Stephens -
 Telephone: 212.648.2148

1.16 **Landlord’s Address for Payments:**

Fountain Square Acquisition Company LLC
 c/o Bank of America Lockbox Services
 Lockbox 100329
 6000 Feldwood Road
 College Park, GA 30349

1.17 **Landlord’s Broker.** Merin Hunter Codman, Inc.

1.18 **Tenant’s Broker.** None.

1.19 **Guarantor.** ANCHOR FUNDING SERVICES, INC., a Delaware corporation, and any other party who subsequently guarantees all or any part of Tenant’s obligations under this Lease (see **EXHIBIT “C”**).

1.20 **Parking Spaces.** Total Spaces: 10, allocated as follows: Reserved Spaces: 0; Unreserved Spaces: 10.

1.21 **Business Days.** All days other than Saturdays, Sundays, or Legal Holidays.

1.22 **Legal Holidays.** New Year's Day, Memorial Day, Fourth of July, Labor Day, Thanksgiving Day, and Christmas Day.

2. **TERM.** Tenant shall have and hold the Premises for the Lease Term. The Lease Term shall commence on the Commencement Date. Landlord shall determine the Commencement Date as provided in Basic Lease Information and Defined Terms article of this Lease and shall notify Tenant of the date so determined. Tenant shall, if Landlord so requests, thereafter execute and return within ten days a letter confirming the Commencement Date and the expiration date of this Lease.

3. **USE.** Tenant shall continuously use and occupy the Premises only for the Permitted Use of the Premises. Tenant shall not use or permit or suffer the use of the Premises for any other business or purpose. Tenant shall conform to the Rules and Regulations. "**Rules and Regulations**" shall mean the rules and regulations for the Building promulgated by Landlord from time to time. The Rules and Regulations which apply as of the Date of this Lease are attached as **EXHIBIT "D"**.

4. **RENT.**

4.1 **General.** Tenant shall pay Rent to Landlord in lawful United States currency. All Base Rent and additional rent for Operating Costs shall be payable in monthly installments, in advance, beginning on the Commencement Date (subject to any prepaid Rent due under Article 1), and continuing on the first day of each and every calendar month thereafter during the Lease Term. Unless otherwise expressly provided, all monetary obligations of Tenant to Landlord under this Lease, of any type or nature, other than Base Rent, shall be denominated as additional rent. Except as otherwise provided, all additional rent payments (other than Operating Costs which are due together with Base Rent) are due ten days after delivery of an invoice. Tenant shall pay monthly to Landlord any sales, use, or other tax (excluding state and federal income tax) now or hereafter imposed on any Rent due under this Lease. The term "**Rent**" when used in this Lease includes Base Rent and all forms of additional rent. All Rent shall be paid to Landlord without demand, setoff, or deduction whatsoever, except as specifically provided in this Lease, at Landlord's Address for Payments, or at such other place as Landlord designates in writing to Tenant. Tenant's obligations to pay Rent are covenants independent of the Landlord's obligations under this Lease.

4.2 **Abatement.** Provided that Tenant is not in default of this Lease beyond any applicable grace period at any time during the abatement period, Tenant shall have a Rent credit in the amount of the Base Rent owed for the first full calendar month of the Lease Term through the third full calendar month of the Lease Term, which credit shall be applied to the installments of Base Rent due for those months. Accordingly, if the Commencement Date occurs on a day other than the first day of the month, the prorated Rent for the first partial month of the Lease Term shall be due on the Commencement Date and the rent abatement period shall commence on the first day of the first full calendar month of the Lease Term and shall expire on the last day of the third full calendar month of the Lease Term. Tenant shall remain liable for all additional rent owed under this Lease during the rent abatement period, such as, but not limited to, Tenant's Allocated Share of Operating Costs. The abatement of Base Rent provided for herein ("**Free Rent**") is conditioned upon Tenant's full and timely performance of all of its obligations under this Lease. At any time during the Lease Term, if Tenant is in default under this Lease beyond any applicable grace period provided therefor, then the abatement of Base Rent provided for herein shall immediately become void, and Tenant shall promptly pay to Landlord, in addition to all other amounts due to Landlord under this Lease, the full amount of all Base Rent herein abated.

5. **OPERATING COSTS.**

5.1 **General.** Tenant shall pay to Landlord its Allocated Share of Operating Costs in accordance with the terms and provisions of this article and based on the following.

5.2 **Defined Terms.** The following terms shall have the following definitions:

5.2.1 "**Real Estate Taxes**" shall mean the total of all taxes, assessments, and other charges by any governmental or quasi-governmental authority, including real and personal property taxes, transit and other special district taxes, franchise taxes, and solid waste assessments that are assessed, levied, or in any manner imposed on the real property and any other buildings and improvements located on such property on which the Building is located. If a tax shall be levied against Landlord in substitution in whole or in part for the Real Estate Taxes or otherwise as a result of the ownership of the Building, then the other tax shall be deemed to be included within the definition of "Real Estate Taxes". "Real Estate Taxes" also includes all costs incurred by Landlord in contesting the amount of the assessment of the Building made for Real Estate Tax purposes, including attorneys', consultants', and appraisers' fees.

5.2.2 **“Operating Costs”** shall mean the total of all of the costs incurred by Landlord relating to the ownership, operation, and maintenance of the Building and the services provided tenants in the Building. By way of explanation and clarification, but not by way of limitation, Operating Costs will include the costs and expenses incurred for the following: Real Estate Taxes; pest control; trash and garbage removal (including dumpster rental); porter and matron service; security; Common Areas decorations; repairs, maintenance, and alteration of building systems, Common Areas, and other portions of the Building to be maintained by Landlord; amounts paid under easements or other recorded agreements affecting the Building, including assessments by property owners’ or condominium associations; repairs, maintenance, replacements, and improvements that are appropriate for the continued operation of the Building as a first-class building; improvements in security systems; materials, tools, supplies, and equipment to enable Landlord to supply services that Landlord would otherwise have obtained from a third party; costs for improvements made to the Project which, although capital in nature, are expected to reduce the normal operating costs (including all utility costs) of the Project, as amortized using a commercially reasonable interest rate over the time period reasonably estimated by Landlord to recover the costs thereof taking into consideration the anticipated cost savings, as determined by Landlord using its good faith, commercially reasonable judgment, as well as capital improvements made in order to comply with any law hereafter promulgated by any governmental authority, or any amendment to or any interpretation hereafter rendered with respect to any existing law that have the effect of changing the legal requirements applicable to the Project from those currently in effect, as amortized using a commercially reasonable interest rate over the useful economic life of such improvements as determined by Landlord in its reasonable discretion; landscaping, including fertilization and irrigation supply, parking area maintenance and supply; property management fees; an on-site management office; all utilities serving the Building and not separately billed to or reimbursed by any tenant of the Building; cleaning; window washing, and janitorial services; all insurance customarily carried by owners of comparable buildings or required by any mortgagee of the Building; supplies; service and maintenance contracts for the Building; wages, salaries, and other benefits and costs of employees of the Landlord up to and including the Building manager (including a pro rata share only of the wages and benefits of employees who are employed at more than one building, which pro rata share shall be determined by Landlord and shall be based on Landlord’s estimate of the percentage of time spent by the employees at the Building); legal, accounting, and administrative costs; and uniforms and working clothes for employees and the cleaning of them. Landlord may contract for the performance of some or all of the management and maintenance functions generally described in this section with entities that are affiliated with Landlord. Operating Costs shall also include the Building’s allocated share (as reasonably determined by Landlord) of those expenses incurred on a Project-wide basis benefiting the Building, including, but not limited to, costs such as (i) landscaping, (ii) utility and road repairs, (iii) security, (iv) signage installation, replacement and repair, and (v) common area utilities. If Landlord incurs Operating Costs for the Building together with one or more other buildings or properties, whether pursuant to a reciprocal easement agreement, common area agreement, or otherwise, the shared costs and expenses shall be equitably prorated and apportioned by Landlord between the Building and the other buildings or properties. Landlord will make any allocations of Operating Costs to the Building permitted under this section in good faith. However, Tenant specifically acknowledges that the making of these type of allocations requires the exercise of judgment, which could be subject to differing opinions. Therefore, a business judgment rather than a reasonableness standard shall be applied to Landlord’s allocation decisions and these decisions will be upheld unless Tenant can prove that the allocations have been made in bad faith and are arbitrary and discriminatory as to Tenant.

5.3 **Variable Operating Costs.** If during any year the entire Building is not occupied or Landlord is not furnishing utilities or services to all of the premises in the Building, then the Variable Operating Costs for such year shall be “grossed up” (using reasonable projections and assumptions) to the amounts that would apply if 95% of the Building were occupied and 95% of the premises in the Building were provided with the applicable utilities or services. Variable Operating Costs are Operating Costs that are variable with the level of occupancy of the Building (such as janitorial services, utilities, refuse and waste disposal, and management fees).

5.4 **Payment.** Landlord shall reasonably estimate the Operating Costs that will be payable for each calendar year. Tenant shall pay one-twelfth of its share of the estimated Operating Costs monthly in advance, together with the payment of Base Rent. Should any assumptions used in creating a budget change, Landlord may adjust the estimated monthly Operating Costs payments to be made by Tenant by notice to Tenant. After the conclusion of each calendar year, Landlord shall furnish Tenant a detailed statement of the actual Operating Costs for the year; and an adjustment shall be made between Landlord and Tenant with payment to or repayment by Landlord, as the case may require. Tenant waives and releases any and all objections or claims relating to Operating Costs for any calendar year unless, within 30 days after Landlord provides Tenant with the annual statement of the actual Operating Costs for the calendar year, Tenant provides Landlord notice that it disputes the statement and specifies the matters disputed. If Tenant disputes the statement then, Tenant shall continue to pay the Rent in question to Landlord in the amount provided in the disputed statement pending resolution of the dispute

5.5 **Alternate Computation.** Instead of including in Operating Costs certain costs, Landlord may bill Tenant and Tenant shall pay for those costs in any one or a combination of the following manners: (a) direct charges for services provided for the exclusive benefit of the Premises that are subject to quantification; (b) based on a formula that takes into account the relative intensity or quantity of use of utilities or services by Tenant and all other recipients of the utilities or services, as reasonably determined by Landlord; or (c) pro rata based on the ratio that the Rentable Area of the Premises bears to the total rentable area of the tenant premises within the Building that are benefited by such costs.

6. ASSIGNMENT OR SUBLETTING.

6.1 **General; Definition of Transfer.** Neither Tenant nor Tenant's legal representatives or successors in interest by operation of law or otherwise shall transfer this Lease except as provided in this article. For purposes of this article, a "transfer" shall mean any of the following: (a) an assignment of this Lease; (b) a collateral assignment, mortgage, or other encumbrance involving this Lease; (c) a sublease, license agreement, or other agreement permitting all or any portion of the Premises to be used by others; (d) a reduction of Tenant's assets to the point that this Lease is substantially Tenant's only asset; or (e) any transfer of control of Tenant, which shall be defined as any issuance or transfer of stock in any corporate tenant or subtenant or any interest in any noncorporation entity tenant or subtenant, by sale, exchange, merger, consolidation, operation of law, or otherwise, or creation of new stock or interests, by which an aggregate of 50% or more of Tenant's stock or equity interests shall be vested in one or more parties who are not stockholders or interest holders as of the Date of this Lease, or any transfer of the power to direct the operations of any entity (by equity ownership, contract, or otherwise), to one or more parties who are not stockholders or interest holders as of the Date of this Lease, however accomplished, and whether in a single transaction or in a series of related or unrelated transactions. This section shall not apply to sales of stock by persons which are effected through any recognized securities exchange. Any modification or amendment to any sublease of any portion of the Premises shall be deemed a further sublease of this Lease. As used in this article, the term "transferee" shall include any assignee or subtenant of Tenant or any other party involved in any of the other transactions or events constituting a transfer.

6.2 **Request for Consent.** If consent to a transfer is required hereunder, Tenant shall request Landlord's consent to such transfer in writing, not later than 15 days before any anticipated transfer, and submit (a) the name and address of the proposed transferee, (b) a duly executed counterpart of the proposed transfer agreement, (c) reasonably satisfactory information as to the nature and character of the business of the proposed transferee, as to the nature and character of its proposed use of the space, and otherwise responsive to the criteria set forth in the Reasonable Consent section of this article, and (d) if the transfer is an assignment or a sublease of substantially all of the Premises, banking, financial, or other credit information relating to the proposed transferee reasonably sufficient to enable Landlord to determine the financial responsibility and character of the proposed transferee, certified by the transferee as true and correct.

6.3 **Recapture.** Landlord shall have the following options to be exercised within 15 Business Days from submission of Tenant's request for Landlord's consent to a specific transfer:

6.3.1 If Tenant proposes to assign this Lease or sublet all or substantially all of the Premises, Landlord shall have the option to cancel and terminate this Lease (provided, however, if Landlord exercises such option, Tenant may nullify and make void such exercise of such option by withdrawing such assignment or sublease request by written notice to Landlord provided within ten (10) days of receipt of Landlord's notice exercising such termination option) as of the proposed commencement date for the transfer.

6.3.2 If Tenant proposes to sublet less than all or substantially all of the Premises or if a proposed sublease shall be for less than the balance of the Lease Term, Landlord shall have the option of canceling and terminating this Lease only as to the applicable portion of the Premises and the applicable portion of the Lease Term covered by the proposed sublease, effective as of the proposed commencement date of the sublease (provided, however, if Landlord exercises such option, Tenant may nullify and make void such exercise of such option by withdrawing such assignment or sublease request by written notice to Landlord provided within ten (10) days of receipt of Landlord's notice exercising such termination option). If Landlord exercises this option and Tenant does not elect to nullify such exercise as aforesaid, all Rent for the Premises shall be equitably apportioned as of the proposed commencement date of the sublease and Landlord, at Landlord's expense, shall perform all work and make all alterations as may be required physically to separate the applicable portion of the Premises from the remainder of the Premises and to permit lawful occupancy of the separated portion.

6.4 Reasonable Consent. If Landlord's consent is required for a transfer and Landlord does not elect either of the options provided in the Recapture section of this article, Landlord shall not unreasonably withhold, condition or delay its consent to such proposed transfer. It shall be deemed reasonable for Landlord to withhold consent to any proposed transfer if any of the following conditions have not been established to Landlord's reasonable satisfaction:

6.4.1 If the transfer is an assignment or a sublease of substantially all of the Premises, the proposed transferee shall have sufficient financial wherewithal to discharge its obligations under this Lease and the proposed agreement of transfer and as determined by Landlord's reasonable criteria for selecting Project tenants and has a tangible net worth, experience, and reputation that is not less than the tangible net worth, experience, and reputation of Tenant on the Date of this Lease.

6.4.2 The proposed transfer shall not, in Landlord's reasonable judgment, cause physical harm to the Project or harm to the reputation of the Project that would result in an impairment of Landlord's ability to lease space in the Project or a diminution in the rental value of space in the Project. The proposed use of the Premises by the proposed transferee will be a use permitted under this Lease and not prohibited by the Rules and Regulations, and will not violate any restrictive covenants or exclusive use provisions applicable to Landlord.

6.4.3 The proposed transferee shall not be any person or entity who shall at that time be a tenant, subtenant, or other occupant of any part of the Project, or who dealt with Landlord or Landlord's agent (directly or through a broker) as to space in the Project during the six months immediately preceding Tenant's request for Landlord's consent.

6.4.4 The proposed use of the Premises by the proposed transferee will not require alterations or additions to the Premises or the Project to comply with applicable law or governmental requirements and will not negatively affect insurance requirements or involve the introduction of materials to the Premises that are not in compliance with the environmental laws.

6.4.5 Any mortgagee of the Project will consent to the proposed transfer if such consent is required under the relevant loan documents.

6.4.6 The proposed use of the Premises will not materially increase the operating costs for the Project or the burden on the Project services, or generate material additional foot traffic, elevator usage, Parking Area usage, or security concerns in the Project, or create materially increased possibility that the comfort or safety, or both, of Landlord and the other occupants of the Project will be compromised or reduced.

6.4.7 The proposed transferee shall not be, and shall not be affiliated with, anyone with whom Landlord or any of its affiliates has been involved with in litigation or who has defaulted under any agreement with Landlord or any of its affiliates.

6.4.8 The proposed transfer will not cause a violation of another lease for space in the Project or give an occupant of the Project a right to cancel its lease.

6.4.9 There shall be no default by Tenant, beyond any applicable grace period, under any of the terms, covenants, and conditions of this Lease at the time that Landlord's consent to a transfer is requested and on the date of the commencement of the term of the proposed transfer.

6.4.10 If the transfer is an assignment, the proposed assignee will assume in writing all of the obligations of Tenant under this Lease.

6.4.11 Tenant acknowledges that the foregoing is not intended to be an exclusive list of the reasons for which Landlord may reasonably withhold its consent to a proposed transfer.

6.5 Tenant's Remedies. Tenant waives any remedy for money damages (nor shall Tenant claim any money damages by way of setoff, counterclaim, or defense) based on any claim that Landlord has unreasonably withheld, delayed, or conditioned its consent to a proposed transfer under this Lease. Tenant's sole remedy in such an event shall be to institute an action or proceeding seeking specific performance, injunctive relief, or declaratory judgment.

6.6 Transfer Documents. Any sublease shall provide that: (a) the subtenant shall comply with all applicable terms and conditions of this Lease to be performed by Tenant; (b) the sublease is expressly subject to all of the terms and provisions of this Lease; and (c) unless Landlord elects otherwise, the sublease will not survive a termination of this Lease (whether voluntary or involuntary) or resumption of possession of the Premises by Landlord following a default by Tenant. The sublease shall further provide that if Landlord elects that the sublease shall survive a termination of this Lease or resumption of possession of the Premises by Landlord following a default by Tenant, the subtenant will, at the election of the Landlord, attorn to the Landlord and continue to perform its obligations under its sublease as if this Lease had not been terminated and the sublease were a direct lease between the Landlord and the subtenant. Any assignment of lease shall contain an assumption by the assignee of all of the obligations of Tenant under this Lease.

6.7 No Advertising. Tenant shall not advertise (but may list with brokers) its space for sublease at a rental rate lower than the rental rate then being paid by Tenant to Landlord.

6.8 Consideration for Consent. If Tenant effects any transfer, then Tenant shall pay to Landlord a sum equal to 50% of the net Rent, additional rent, or other consideration paid to Tenant by any transferee that is in excess of the Rent then being paid by Tenant to Landlord under this Lease for the portion of the Premises so transferred (on a prorated, square footage basis). The net Rent, additional rent, or other consideration paid to Tenant shall be calculated by deducting from the gross Rent, additional rent, or other consideration reasonable and customary real estate brokerage commissions actually paid by Tenant to third parties, tenant improvement allowances, Rent concessions, the actual cost of improvements to the Premises made by Tenant for the transferee, and other direct out-of-pocket costs actually incurred by Tenant in connection with the transfer (as long as the costs are commercially reasonable). Upon reasonable notice, Landlord shall have the right to audit Tenant's books and records to determine the amount payable to Landlord under this section. All sums payable by Tenant under this section shall be payable to Landlord immediately on receipt by Tenant.

6.9 Permitted Transfers. Notwithstanding anything contained herein to the contrary, Landlord's consent will not be required as to, any change in the members or shareholders of Tenant, or a transfer to an entity which controls, is controlled by, or is under common control of Tenant, or to any entity into or with which Tenant may be merged or consolidated or by which it is acquired or which purchases all or substantially all of its assets (a "**Permitted Transfer**"), provided that (a) the transferee shall own all or substantially all of the assets of Tenant, (b) the form of any agreement of assignment or any sublease shall otherwise comply with the terms and conditions of this article, (c) Landlord is provided written notice of the transfer and the identity of the transferee prior to the effective date of the transfer, and (d) a significant purpose of any such transfer is not to avoid the restrictions on transfer otherwise imposed under this article.

6.10 No Waiver. Consent by Landlord to a transfer shall not relieve Tenant from the obligation to obtain Landlord's written consent to any further transfer.

6.11 Acceptance of Payments. If this Lease is nevertheless assigned, or the Premises are sublet or occupied by anyone other than Tenant, Landlord may accept Rent from the assignee, subtenant, or occupant and apply the net amount received to the Rent reserved in this Lease, but no such assignment, subletting, occupancy, or acceptance of Rent shall be deemed a waiver of the requirement for Landlord's consent as contained in this article or constitute a novation or otherwise release Tenant from its obligations under this Lease.

6.12 Continuing Liability. Except as provided in the Recapture section of this article, following any transfer, Tenant and Guarantor shall remain liable to Landlord for the prompt and continuing payment of all forms of Rent payable under this Lease following the transfer. The joint and several liability of Tenant, Guarantor, and any immediate and remote successor in interest of Tenant (by assignment or otherwise), and the due performance of the obligations of this Lease on Tenant's part to be performed or observed, shall not in any way be discharged, released, or impaired by any (a) agreement that modifies any of the rights or obligations of the parties under this Lease, (b) stipulation that extends the time within which an obligation under this Lease is to be performed, (c) waiver of the performance of an obligation required under this Lease, or (d) failure to enforce any of the obligations set forth in this Lease.

6.13 Administrative Fee. Tenant shall pay to Landlord, on demand, an administrative fee of \$1,000, plus all reasonable attorneys' fees and actual costs associated with Landlord's consideration of Tenant's transfer request and the review and preparation of all documents associated therewith.

6.14 Landlord Transfer. Landlord may assign or encumber its interest under this Lease. If any portion of the Premises is sold, transferred, or leased, or if Landlord's interest in any underlying lease of the Premises is transferred or sold, Landlord shall be relieved of all existing and future obligations and liabilities under this Lease, provided that the purchaser, transferee, or tenant of the Premises assumes in writing those obligations and liabilities.

6.15 **Improper Transfer.** Any transfer by Tenant in violation of this article shall be void and shall constitute a default under this Lease.

7. INSURANCE/WAIVERS/SUBROGATION.

7.1 **Insurance Requirements.** Effective as of the earlier of (i) the date Tenant enters or occupies the Premises, or (ii) the Commencement Date, and continuing throughout the Lease Term, Tenant shall maintain the following insurance policies:

(a) **Commercial General Liability Insurance.** Commercial general liability insurance (including property damage, bodily injury and personal injury coverage) in amounts of \$1,000,000 per occurrence and \$2,000,000 in the annual aggregate in primary coverage, with an additional \$3,000,000 in umbrella coverage or, following the expiration of the initial Lease Term, such other amounts as Landlord may from time to time reasonably require, insuring Tenant (and naming as additional insureds Landlord, Landlord's property management company, Landlord's asset management company and, if requested in writing by Landlord, Landlord's mortgagee), against all liability for injury to or death of a person or persons or damage to property arising from the use and occupancy of the Premises and (without implying any consent by Landlord to the installation thereof) the installation, operation, maintenance, repair or removal of any equipment of Tenant located outside of the Premises ("**Off-Premises Equipment**"). If the use and occupancy of the Premises include any activity or matter that is or may be excluded from coverage under a commercial general liability policy (e.g., the sale, service or consumption of alcoholic beverages), Tenant shall obtain such endorsements to the commercial general liability policy or otherwise obtain insurance to insure all liability arising from such activity or matter (including liquor liability, if applicable) in such amounts as Landlord may reasonably require;

(b) **Commercial Property Insurance.** (1) Cause of loss-special risk form (formerly "all-risk") or its equivalent insurance (including, but not limited to, sprinkler leakage, ordinance and law, sewer back-up, flood, earthquake, windstorm and collapse coverage) covering the full value of all alterations and improvements and betterments in the Premises, naming Landlord and Landlord's mortgagee as additional loss payees as their interests may appear, and (2) cause of loss-special risk form (formerly "all-risk") or its equivalent insurance covering the full value of all furniture, trade fixtures, equipment and personal property (including property of Tenant or others) in the Premises or otherwise placed in the Project by or on behalf of a Tenant Party (including Tenant's Off-Premises Equipment);

(c) **Contractual Liability Insurance.** Contractual liability insurance sufficient to cover Tenant's indemnity obligations hereunder (but only if such contractual liability insurance is not already included in Tenant's commercial general liability insurance policy);

(d) **Commercial Auto Liability Insurance.** Commercial auto liability insurance (if applicable) covering automobiles owned, hired or used by Tenant in carrying on its business with limits not less than \$1,000,000 combined single limit for each accident, insuring Tenant (and naming as additional insureds Landlord, Landlord's property management company, Landlord's asset management company and, if requested in writing by Landlord, Landlord's mortgagee);

(e) **Worker's Compensation Insurance; Employer's Liability Insurance.** Worker's compensation insurance of \$1,000,000 (or such larger amount if required by local statute) and employer's liability insurance of \$1,000,000;

(f) **Business Interruption Insurance.** Business interruption insurance in an amount reasonably acceptable to Landlord; and

(g) **Comprehensive Crime.** Comprehensive crime coverage of \$1,000,000.

7.2 **Landlord's Insurance.** Throughout the Lease Term, Landlord shall maintain, as a minimum, the following insurance policies: (a) property insurance for the Building's replacement value (excluding property required to be insured by Tenant), less a commercially-reasonable deductible if Landlord so chooses, and (b) commercial general liability insurance in an amount of not less than \$3,000,000. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary. The cost of all insurance carried by Landlord with respect to the Project shall be included in Operating Costs. The foregoing insurance policies and any other insurance carried by Landlord shall be for the sole benefit of Landlord and under Landlord's sole control, and Tenant shall have no right or claim to any proceeds thereof or any other rights thereunder. Any insurance required to be maintained by Landlord may be taken out under a blanket insurance policy or policies covering other buildings, property or insureds in addition to the Building and Landlord. In such event, the costs of any such blanket insurance policy or policies shall be reasonably allocated to the Project and the other properties covered by such policy or policies as reasonably determined by Landlord and included as part of Operating Costs. Notwithstanding anything in this Lease to the contrary, Landlord's indemnity obligations under this Lease shall be limited to the extent any such claim is insured against under the terms of any insurance policy maintained by Landlord (or is required to be maintained by Landlord under the terms of this Lease).

7.3 No Subrogation; Waiver of Property Claims. Landlord and Tenant each waives any claim it might have against the other for any damage to or theft, destruction, loss, or loss of use of any property, to the extent the same is insured against under any insurance policy of the types described in this article that covers the Project, the Premises, Landlord's or Tenant's fixtures, personal property, leasehold improvements, or business, or is required to be insured against under the terms hereof, or is self-insured against through maintenance of deductibles or otherwise, **regardless of whether the negligence of the other party caused such Loss (as defined in the Indemnification Article below)**. Additionally, Tenant and Landlord waive any claim it may have against the other party for any Loss to the extent such Loss is caused by a terrorist act. Each party shall cause its insurance carrier to endorse all applicable policies waiving the carrier's rights of recovery under subrogation or otherwise against the other party. Notwithstanding any provision in this Lease to the contrary, Landlord, its agents, employees and contractors shall not be liable to Tenant or to any party claiming by, through or under Tenant for (and Tenant hereby releases Landlord and its servants, agents, contractors, employees and invitees from any claim or responsibility for) any damage to or destruction, loss, or loss of use, or theft of any property of any Tenant Party located in or about the Project, caused by casualty, theft, fire, third parties or any other matter or cause, **regardless of whether the negligence of any party caused such loss in whole or in part**. Tenant acknowledges that Landlord shall not carry insurance on, and shall not be responsible for damage to, any property of any Tenant Party located in or about the Project.

8. DEFAULT.

8.1 Events of Default. Each of the following shall be an event of default under this Lease: (a) Tenant fails to make any payment of Rent when due; (b) Tenant or any Guarantor for Tenant's obligations under this Lease becomes bankrupt or insolvent or makes an assignment for the benefit of creditors or takes the benefit of any insolvency act, or if any debtor proceedings are taken by or against Tenant or any Guarantor; (c) Tenant abandons the Premises; (d) Tenant transfers this Lease in violation of the Assignment or Subletting article; (e) Tenant fails to deliver an estoppel certificate or subordination agreement or maintain required insurance coverages within the time periods required by this Lease; (f) Tenant does not comply with its obligations to vacate the Premises under the Relocation or End of Term articles of this Lease; or (g) Tenant fails to perform any other obligation under this Lease. Landlord agrees to provide Tenant with written notice and a fifteen (15) day opportunity to cure the events of default in (e), (f) or (g) above. However, Landlord shall not be required to give written notice of such an event of default more than once in any twelve (12) month period under this Lease.

8.2 Remedies. If Tenant defaults, in addition to all remedies provided by law, Landlord may declare the entire balance of all forms of Rent due under this Lease for the remainder of the Lease Term to be forthwith due and payable and may collect the then present value of the Rents (calculated using a discount rate equal to the discount rate of the branch of the Federal Reserve Bank closest to the Premises in effect as of the date of the default). If this Lease is rejected in any bankruptcy proceeding, Rent for the entire month in which the rejection occurs shall be due and payable in full and shall not be prorated.

8.3 Landlord's Right to Perform. If Tenant defaults, Landlord may, but shall have no obligation to, perform the obligations of Tenant, and if Landlord, in doing so, makes any expenditures or incurs any obligation for the payment of money, including reasonable attorneys' fees, the sums so paid or obligations incurred shall be paid by Tenant to Landlord upon receipt of a bill or statement to Tenant therefor.

8.4 Late Charges, Interest, and Bad Checks. If any payment due Landlord shall not be paid within five days of the date when due, Tenant shall pay, in addition to the payment then due, an administrative charge equal to the greater of (a) 5% of the past due payment; or (b) \$250. All payments due Landlord shall bear interest at the lesser of: (a) 18% per annum, or (b) the highest rate of interest permitted to be charged by applicable law, accruing from the date the obligation arose through the date payment is actually received by Landlord. If any check given to Landlord for any payment is dishonored for any reason whatsoever not attributable to Landlord, in addition to all other remedies available to Landlord, upon demand, Tenant will reimburse Landlord for all insufficient funds, bank, or returned check fees, plus an administrative fee not to exceed the maximum amount prescribed by Section 68.065, Florida Statutes. In addition, Landlord may require all future payments from Tenant to be made by cashier's check from a local bank or by Federal Reserve wire transfer to Landlord's account.

8.5 Limitations. None of Landlord's officers, employees, agents, directors, shareholders, partners, members, managers, or affiliates shall ever have any personal liability to Tenant. No person holding Landlord's interest shall have any liability after such person ceases to hold such interest, except for any liability accruing while such person held such interest. **TENANT SHALL LOOK SOLELY TO LANDLORD'S ESTATE AND INTEREST IN THE BUILDING FOR THE SATISFACTION OF ANY RIGHT OR REMEDY OF TENANT UNDER THIS LEASE, AND NO OTHER ASSETS OF LANDLORD SHALL BE SUBJECT TO LEVY, EXECUTION, OR OTHER ENFORCEMENT PROCEDURE FOR THE SATISFACTION OF TENANT'S RIGHTS OR REMEDIES, OR ANY OTHER LIABILITY OF LANDLORD TO TENANT OF WHATEVER KIND OR NATURE.** No act or omission of Landlord or its agents shall constitute an actual or constructive eviction of Tenant or a default by Landlord as to any of its obligations under this Lease unless Landlord shall have first received written notice from Tenant of the claimed default and shall have failed to cure it after having been afforded reasonable time in which to do so, which in no event shall be less than 30 days. Further, Tenant waives any claims against Landlord that Tenant does not make in writing within 30 days of the onset of the cause of such claim. Landlord and Tenant each waive all rights (other than rights under the Estoppel Certificate and End of Term articles) to consequential damages, lost profits, punitive damages, or special damages of any kind.

8.6 Presumption of Abandonment. It shall be conclusively presumed that Tenant has abandoned the Premises if Tenant fails to keep the Premises open for business during regular business hours for ten consecutive days while in monetary default. Any grace periods set forth in this article shall not apply to the application of this presumption. In addition to all other rights of Landlord in the event of an abandonment of the Premises by Tenant, Landlord may reenter and repossess the Premises without legal process, without releasing Tenant of any liability, and with no liability for any claims of wrongful eviction or otherwise by Tenant, if Tenant is presumed to have abandoned the Premises as specified above and fails to object in writing within ten days after a notice from Landlord that it so intends to reenter.

9. ALTERATIONS. "Alterations" shall mean any alteration, addition, or improvement in or on or to the Premises of any kind or nature, including any improvements made before Tenant's occupancy of the Premises. Tenant shall make no Alterations without the prior written consent of Landlord, which consent may be withheld or conditioned in Landlord's sole discretion. However, Landlord will not unreasonably withhold or delay consent to non-structural interior Alterations, provided that they do not involve demolition of improvements, affect utility services or Building systems, are not visible from outside the Premises, and do not require other alterations, additions, or improvements to areas outside the Premises. Landlord, or its agent or contractor, may supervise the performance of any Alterations, and, if so, Tenant shall pay to Landlord an amount equal to 5% of the cost of the work, as a supervisory fee. Except as expressly set forth in this Lease, Landlord has made no representation or promise as to the condition of the Premises, Landlord shall not perform any alterations, additions, or improvements to make the Premises suitable and ready for occupancy and use by Tenant, and Tenant shall accept possession of the Premises in its then "as-is", "where-is" condition, without representation or warranty of any kind by Landlord. Except for work to be performed by Landlord, before any Alterations are undertaken by or on behalf of Tenant, Tenant shall deliver to Landlord any governmental permit required for the Alterations and shall require any contractor performing work on the Premises to obtain and maintain, at no expense to Landlord, workers' compensation insurance as required by law, builder's risk insurance in the amount of the replacement cost of the applicable Alterations (or such other amount reasonably required by Landlord), commercial general liability insurance, and auto liability insurance (to include all automobiles owned, leased, hired or borrowed), written on an occurrence basis with minimum limits of \$2 million per occurrence limit, \$2 million general aggregate limit, \$2 million personal and advertising limit, and \$2 million products/completed operations limit; which coverage limits may be effected with umbrella coverage (including contractual liability, broad form property damage and contractor's protective liability coverage). Contractor's insurance shall contain an endorsement insuring the Landlord and its managing agent (and, if requested, Landlord's mortgagee) as additional insureds and shall be primary over any other coverage available to the Landlord.

10. LIENS. The interest of Landlord in the Premises shall not be subject in any way to any liens, including construction liens, for Alterations made by or on behalf of Tenant. This exculpation is made with express reference to Section 713.10, Florida Statutes. Tenant represents to Landlord that any improvements that might be made by Tenant to the Premises are not required to be made under the terms of this Lease and that any improvements which may be made by Tenant do not constitute the "pith of the lease" under applicable Florida case law. If any lien is filed against the Premises for work or materials claimed to have been furnished to Tenant, Tenant shall cause it to be discharged of record or properly transferred to a bond under Section 713.24, Florida Statutes, within ten days after notice to Tenant. Further, Tenant shall indemnify, defend, and save Landlord harmless from and against any damage or loss, including reasonable attorneys' fees, incurred by Landlord as a result of any liens or other claims arising out of or related to work performed in the Premises by or on behalf of Tenant. Tenant shall notify every contractor making improvements to the Premises that the interest of the Landlord in the Premises shall not be subject to liens.

11. **ACCESS TO PREMISES.** Landlord and persons authorized by Landlord shall have the right, at all reasonable times, to enter and inspect the Premises and to make repairs and alterations Landlord deems necessary, with reasonable prior notice (which may be by telephone or e-mail), except in cases of emergency, when no notice shall be required. Following the Commencement Date, Tenant shall have access to the Premises 24 hours per day, seven days per week, unless an emergency condition exists within the Building or the Premises which limits such access.

12. **COMMON AREAS.** The “Common Areas” of the Project include such areas and facilities as delivery facilities, walkways, landscaped and planted areas, and parking facilities and are those areas designated by Landlord for the general use in common of occupants of the Project, including Tenant. The Common Areas shall at all times be subject to the exclusive control and management of Landlord. Landlord may grant third parties specific rights concerning portions of the Common Areas. Landlord may increase, reduce, improve, or otherwise alter the Common Areas, otherwise make improvements, alterations, or additions to the Project, and change the name or number by which the Building or Project is known. Landlord may also temporarily close the Common Areas to make repairs or improvements. In addition, Landlord may temporarily close the Building or Project and preclude access to the Premises in the event of casualty, governmental requirements, the threat of an emergency such as a hurricane or other act of God, or if Landlord otherwise reasonably deems it necessary in order to prevent damage or injury to person or property. This Lease does not create, nor will Tenant have any express or implied easement for, or other rights to, air, light, or view over, from, or about the Project.

13. **INTENTIONALLY DELETED.**

14. **CASUALTY DAMAGE.** If: (a) the Building or Project shall be so damaged that substantial alteration or reconstruction of the Building or Project shall, in Landlord’s opinion, be required (whether or not the Premises shall have been damaged by the casualty); or (b) Landlord is not permitted to rebuild the Building or the Project in substantially the same form as they existed before the damage; or (c) the Premises shall be materially damaged by casualty during the last two years of the Lease Term; or (d) any mortgagee requires that the insurance proceeds be applied to the payment of the mortgage debt; or (e) the damage is not covered by insurance maintained by Landlord; then Landlord may, within 90 days after the casualty, give notice to Tenant of Landlord’s election to terminate this Lease, and the balance of the Lease Term shall automatically expire on the fifth day after the notice is delivered. If Landlord does not elect to terminate this Lease, Landlord shall proceed with reasonable diligence to restore the Building and the Premises to substantially the same condition they were in immediately before the casualty. However, Landlord shall not be required to restore any unleased premises in the Building or any portion of Tenant’s property, and Landlord’s obligation to repair or restore the Premises shall be limited to the extent of insurance proceeds actually received by Landlord due to the casualty and shall not include any improvements or alterations performed by Tenant. Rent shall abate in proportion to the portion of the Premises not usable by Tenant as a result of any casualty resulting in damage to the Building which is covered by insurance carried or required to be carried by Landlord under this Lease, as of the date on which the Premises becomes unusable. Landlord shall not otherwise be liable to Tenant for any delay in restoring the Premises or any inconvenience or annoyance to Tenant or injury to Tenant’s business resulting in any way from the damage or the repairs, Tenant’s sole remedy being the right to an abatement of Rent.

15. **CONDEMNATION.** If the whole or any substantial part of the Premises shall be condemned by eminent domain or acquired by private purchase in lieu of condemnation, this Lease shall terminate on the date on which possession of the Premises is delivered to the condemning authority and Rent shall be apportioned and paid to that date. If no portion of the Premises is taken but a substantial portion of the Building is taken, at Landlord’s option, this Lease shall terminate on the date on which possession of such portion of the Building is delivered to the condemning authority and Rent shall be apportioned and paid to that date. Tenant shall have no claim against Landlord for the value of any unexpired portion of the Lease Term, nor shall Tenant be entitled to any part of the condemnation award or private purchase price. If this Lease is not terminated as provided above, Rent shall abate in proportion to the portion of the Premises condemned.

16. **REPAIR AND MAINTENANCE.** Landlord shall repair and maintain in good order and condition, ordinary wear and tear excepted, the Common Areas, mechanical and equipment rooms, the roof of the Building, the exterior walls of the Building, the exterior windows of the Building, the structural portions of the Building, the elevators, and the electrical, plumbing, mechanical, fire protection, life safety, and HVAC systems servicing the Building. However, unless the Waiver of Subrogation section of this Lease applies, Tenant shall pay the cost of any such repairs or maintenance resulting from acts or omissions of Tenant, its employees, agents, or contractors. Additionally, Landlord shall replace the Building standard light bulbs and fluorescent light tubes in the Premises at a Building standard charge to be paid by Tenant. Tenant waives the provisions of any law, or any right Tenant may have under common law, permitting Tenant to make repairs at Landlord’s expense or to withhold Rent or terminate this Lease based on any alleged failure of Landlord to make repairs. All costs associated with the repair and maintenance obligations of Landlord under this article shall be included in and constitute Operating Costs. Except to the extent Landlord is obligated to repair and maintain the Premises as provided above, Tenant shall, at its sole cost, repair, replace, and maintain the Premises (including the walls, ceilings, and floors in the Premises, and any specialized electrical, plumbing, mechanical, fire protection, life safety and HVAC systems servicing the Premises requested by Tenant exclusively for their use) in a clean, attractive, first-class condition. All replacements shall be of equal quality and class to the original items replaced. Tenant shall not commit or allow to be committed any waste on any portion of the Premises. Subject to the provisions of Section 7.3, Landlord shall be responsible to repair all damage caused to the Premises (but not to Tenant’s personal property located therein) arising from defective conditions within the Building, roof, and electrical, plumbing and HVAC systems.

17. **ESTOPPEL CERTIFICATES.** From time to time, Tenant, on not less than five days' prior notice, shall (i) execute and deliver to Landlord an estoppel certificate in a form generally consistent with the requirements of institutional lenders and certified to all or any of Landlord, any mortgagee or prospective mortgagee, or prospective purchaser of the Building, and (ii) cause any Guarantor to deliver to Landlord any estoppel certificate required under the Guaranty.

18. **SUBORDINATION.** This Lease is and shall be subject and subordinate to all mortgages and ground leases that may now or hereafter affect the Building, and to all renewals, modifications, consolidations, replacements, and extensions of the leases and mortgages. This article shall be self-operative and no further instrument of subordination shall be necessary. However, in confirmation of this subordination, Tenant shall execute promptly any certificate that Landlord may request. If any ground or underlying lease is terminated, or if the interest of Landlord under this Lease is transferred by reason of or assigned in lieu of foreclosure or other proceedings for enforcement of any mortgage, or if the holder of any mortgage acquires a lease in substitution for the mortgage, or if this Lease is terminated by termination of any lease or by foreclosure of any mortgage to which this Lease is or may be subordinate, then Tenant will, at the option to be exercised in writing by the landlord under any ground or underlying lease or the purchaser, assignee, or tenant, as the case may be (a) attorn to it and will perform for its benefit all the terms, covenants, and conditions of this Lease on Tenant's part to be performed with the same force and effect as if the landlord or the purchaser, assignee, or tenant were the landlord originally named in this Lease, or (b) enter into a new lease with the landlord or the purchaser, assignee, or tenant for the remainder of the Lease Term and otherwise on the same terms, conditions, and rents as provided in this Lease.

19. **INDEMNIFICATION.** To the fullest extent provided by law, and subject to the waiver of subrogation provision of this Lease, Tenant shall defend, indemnify, and hold harmless Landlord and its representatives and agents from and against all claims, demands, liabilities, causes of action, suits, judgments, damages, and expenses (including reasonable attorneys' fees) arising from any injury to or death of any person or the damage to or theft, destruction, loss, or loss of use of, any property or inconvenience (a "**Loss**") (i) occurring in or on the Project (other than within the Premises) to the extent caused by the negligence or willful misconduct of Tenant; any assignees claiming by, through, or under Tenant; any subtenants claiming by, through, or under Tenant; and any of their respective agents, contractors, officers, employees, licensees, guests and invitees (a "**Tenant Party**"), (ii) occurring in the Premises, or (iii) arising out of the installation, operation, maintenance, repair or removal of any property of any Tenant Party located in or about the Project. It being agreed that clauses (ii) and (iii) of this indemnity are intended to indemnify Landlord and its agents against the consequences of their own negligence or fault, even when Landlord or its agents are jointly, comparatively, contributively, or concurrently negligent with Tenant, and even though any such claim, cause of action or suit is based upon or alleged to be based upon the strict liability of Landlord or its agents; however, such indemnity shall not apply to the sole or gross negligence or willful misconduct of Landlord and its agents. To the fullest extent provided by law, and subject to the waiver of subrogation provision of this Lease, Landlord shall defend, indemnify, and hold harmless Tenant and its agents from and against all claims, demands, liabilities, causes of action, suits, judgments, damages, and expenses (including reasonable attorneys' fees) for any Loss arising from any occurrence in or on the Building's Common Areas to the extent caused by the negligence or willful misconduct of Landlord or its agents. The indemnities set forth in this Lease shall survive termination or expiration of this Lease and shall not terminate or be waived, diminished or affected in any manner by any abatement or apportionment of Rent under any provision of this Lease. If any proceeding is filed for which indemnity is required hereunder, the indemnifying party agrees, upon request therefor, to defend the indemnified party in such proceeding at its sole cost utilizing counsel satisfactory to the indemnified party.

20. **NO WAIVER.** The failure of a party to insist on the strict performance of any provision of this Lease or to exercise any remedy for any default shall not be construed as a waiver. The waiver of any noncompliance with this Lease shall not prevent subsequent similar noncompliance from being a default. No waiver shall be effective unless expressed in writing and signed by the waiving party. No notice to or demand on a party shall of itself entitle the party to any other or further notice or demand in similar or other circumstances. The receipt by Landlord of any Rent after default on the part of Tenant (whether the Rent is due before or after the default) shall not excuse any delays as to future Rent payments and shall not be deemed to operate as a waiver of any then-existing default by Tenant or of the right of Landlord to enforce the payment of any other Rent reserved in this Lease or to pursue eviction or any other remedies available to Landlord. No payment by Tenant, or receipt by Landlord, of a lesser amount than the Rent actually owed under the terms of this Lease shall be deemed to be anything other than a payment on account of the earliest stipulated Rent. No endorsement or statement on any check or any letter accompanying any check or payment of Rent will be deemed an accord and satisfaction. Landlord may accept the check or payment without prejudice to Landlord's right to recover the balance of the Rent or to pursue any other remedy. It is the intention of the parties that this article will modify the common law rules of waiver and estoppel and the provisions of any statute that might dictate a contrary result.

21. **SERVICES AND UTILITIES.** Landlord shall furnish the following services: (a) air conditioning and heating in season Monday through Friday from 8:00 a.m. to 6:00 p.m., and Saturdays from 9:00 a.m. to 1:00 p.m., Legal Holidays excluded; at other times, air conditioning and heating will be furnished at the then Building standard charge (payable by Tenant to Landlord on written demand by Landlord) and on then Building standard terms relating to advance notice, minimum hours, minimum zones, and other matters; (b) janitorial and general cleaning service on Business Days; (c) passenger elevator service to all floors of the Building; (d) common restroom facilities and necessary lavatory supplies, including cold running water; and (e) electricity for the purposes of lighting and general office equipment use in amounts consistent with Building standard electrical capacities for the Premises (excluding electricity for separately metered equipment exclusively serving the Premises, such as supplemental HVAC units, the costs for which shall be paid by Tenant to Landlord upon receipt of invoice from Landlord). Landlord shall have the right to select the Building's electric service provider and to switch providers at any time. Tenant's use of electrical, HVAC or other services furnished by Landlord shall not exceed, either in voltage, rated capacity, use, or overall load, that which Landlord deems to be standard for the Building. Tenant shall pay all costs associated with any such additional utility usage, including the installation of separate meters. In no event shall Landlord be liable for damages resulting from the failure to furnish any service, and any interruption or failure shall in no manner entitle Tenant to any remedies including abatement of Rent.. If at any time during the Lease Term the Project has any type of access control system for the Parking Areas or the Building, Tenant shall purchase access cards for all occupants of the Premises from Landlord at the then Building standard charge. If Tenant desires any service which Landlord has not specifically agreed to provide in this Lease, such as private security systems or telecommunications services serving the Premises, Tenant shall procure such service directly from a reputable third party service provider ("**Provider**") for Tenant's own account. Tenant shall require each Provider to comply with the Building's rules and regulations, all laws, and Landlord's reasonable policies and practices for the Building. Tenant acknowledges Landlord's current policy that requires all Providers utilizing any area of the Project outside the Premises to be approved by Landlord and to enter into a written agreement acceptable to Landlord prior to gaining access to, or making any installations in or through, such area. Accordingly, Tenant shall give Landlord written notice sufficient for such purposes.

22. **SECURITY DEPOSIT.** The Security Deposit shall be held by Landlord as security for Tenant's full and faithful performance of this Lease including the payment of Rent. The Security Deposit may be commingled with other funds of Landlord and Landlord shall have no liability for payment of any interest on the Security Deposit. Landlord may apply the Security Deposit to the extent required to cure any default by Tenant. If Landlord so applies the Security Deposit, Tenant shall deliver to Landlord the amount necessary to replenish the Security Deposit to its original sum within five days after notice from Landlord. The Security Deposit shall not be deemed an advance payment of Rent or a measure of damages for any default by Tenant, nor shall it be a defense to any action that Landlord may bring against Tenant.

23. **GOVERNMENTAL REGULATIONS.** Tenant shall promptly comply with all laws, codes, and ordinances of governmental authorities, including the Americans with Disabilities Act of 1990 and all similar present or future laws.

24. **SIGNS.** No signage shall be placed by Tenant on any portion of the Project. However, Tenant shall be permitted to place a sign bearing its name in a location approved by Landlord near the entrance to the Premises (at Tenant's cost) and will be furnished a single listing of its name in the Building's directory (at Landlord's cost), all in accordance with the criteria adopted from time to time by Landlord for the Project. Any changes or additional listings in the directory shall be furnished (subject to availability of space) for the then Building standard charge.

25. **BROKER.** Tenant represents and warrants that it neither consulted nor negotiated with any broker or finder regarding the Premises, except the Landlord's Broker. Landlord shall indemnify, defend, and hold Tenant harmless from and against any claims for commissions from the Landlord's Broker. Tenant shall indemnify, defend, and hold Landlord harmless from and against any claims for commissions from any real estate broker other than the Landlord's Broker with whom it has dealt in connection with this Lease. The terms of this article shall survive the expiration or earlier termination of this Lease.

26. **END OF TERM.** Tenant shall surrender the Premises to Landlord at the expiration or sooner termination of this Lease in good order and condition, broom-clean, except for reasonable wear and tear. Tenant shall be liable to Landlord for all damages, including any consequential damages, that Landlord may suffer by reason of any holding over by Tenant, and Tenant shall indemnify, defend, and save Landlord harmless against all costs, claims, loss, or liability resulting from delay by Tenant in so surrendering the Premises, including any claims made by any succeeding tenant founded on any delay. All Alterations made by Landlord or Tenant to the Premises shall become Landlord's property on the expiration or sooner termination of the Lease Term. On the expiration or sooner termination of the Lease Term, Tenant, at its expense, shall remove from the Premises all of Tenant's personal property, and all Alterations (including, computer and telecommunications wiring) that Landlord designates by notice to Tenant. Tenant shall also repair any damage to the Premises caused by the removal. Any items of Tenant's property that shall remain in the Premises after the expiration or sooner termination of the Lease Term, may, at the option of Landlord, be deemed to have been abandoned, and in that case, those items may be retained by Landlord as its property to be disposed of by Landlord, without accountability to Tenant or any other party, in the manner Landlord shall determine, at Tenant's expense.

27. **ATTORNEYS' FEES.** The prevailing party in any litigation arising out of or in any manner relating to this Lease, including the declaration of any rights or obligations under this Lease, shall be entitled to recover from the losing party reasonable attorneys' fees and costs. In addition, if Landlord becomes a party to any suit or proceeding affecting the Premises or involving this Lease or Tenant's interest under this Lease, other than a suit between Landlord and Tenant, or if Landlord engages counsel to collect any of the amounts owed under this Lease, or to enforce performance of any of the agreements, conditions, covenants, provisions, or stipulations of this Lease, without commencing litigation, then the costs, expenses, and reasonable attorneys' fees and disbursements incurred by Landlord shall be paid to Landlord by Tenant.

28. **NOTICES.** Any notice to be given under this Lease may be given either by a party itself or by its attorney or agent and shall be in writing and delivered by hand, by nationally recognized overnight air courier service (such as FedEx), or by the United States Postal Service, registered or certified mail, return receipt requested, in each case addressed to the respective party at the party's notice address. A notice shall be deemed effective upon receipt or the date sent if it is returned to the addressor because it is refused, unclaimed, or the addressee has moved.

29. **IMPOSSIBILITY OF PERFORMANCE.** For purposes of this Lease, the term "**Unavoidable Delay**" shall mean any delays due to strikes, lockouts, civil commotion, war or warlike operations, acts of terrorism, acts of a public enemy, acts of bioterrorism, epidemics, quarantines, invasion, rebellion, hostilities, military or usurped power, sabotage, government regulations or controls, inability to obtain any material, utility, or service because of governmental restrictions, hurricanes, floods, or other natural disasters, acts of God, or any other cause beyond the direct control of the party delayed. Notwithstanding anything in this Lease to the contrary, if Landlord or Tenant shall be delayed in the performance of any act required under this Lease by reason of any Unavoidable Delay, then provided notice of the Unavoidable Delay is given to the other party within ten days after its occurrence, performance of the act shall be excused for the period of the delay and the period for the performance of the act shall be extended for a reasonable period, in no event to exceed a period equivalent to the period of the delay. The provisions of this article shall not operate to excuse Tenant from the payment of Rent or from surrendering the Premises at the end of the Lease Term, and shall not operate to extend the Lease Term. Delays or failures to perform resulting from lack of funds or the increased cost of obtaining labor and materials shall not be deemed delays beyond the direct control of a party.

30. **RELOCATION OF TENANT.** Landlord may move Tenant from the Premises to a reasonably equivalent space comparable in size and layout within the Project on not less than 30 days' notice to Tenant. If Landlord relocates Tenant, Landlord shall perform the interior improvements to the new space of approximate equivalence to the interior improvements in the original Premises and pay the actual costs of moving Tenant's property to the new space. Landlord will also reimburse Tenant for its actual costs of replacement of stationery, computer and telephone relocation. Such a relocation shall not terminate or otherwise modify this Lease except that from and after the date of the relocation, the "Premises" shall refer to the relocation space into which Tenant has been moved, rather than the original Premises as defined in this Lease. If the rentable area of the relocation space is more or less than the rentable area of the original Premises, then the Base Rent and Tenant's Allocated Share shall be appropriately adjusted.

31. **PARKING.** Tenant shall be entitled to use no more than the number of parking spaces in the Parking Areas specified in the Basic Lease Information and Defined Terms article of this Lease. "**Parking Areas**" shall mean the areas available for automobile parking in connection with the Building as those areas may be designated by Landlord from time to time. Except for particular spaces and areas designated from time to time by Landlord for reserved parking, if any, **all** parking in the Parking Areas shall be on an unreserved, first-come, first-served basis. Landlord reserves the right to (a) reduce the number of spaces in the Parking Areas, as long as the number of parking spaces remaining is in compliance with all applicable governmental requirements; (b) to reserve spaces for the exclusive use of specific parties; and (c) change the access to the Parking Areas, provided that some manner of reasonable access to the Parking Areas remains after the change; and none of the foregoing shall entitle Tenant to any claim against Landlord or to any abatement of Rent. Landlord (or the operator of the Parking Areas) may charge Tenant (and/or its employees, agents, contractors, invitees, and visitors) directly for the parking fee established by Landlord (or the operator) from time to time for the use of the Parking Areas. Landlord shall have no liability to Tenant for unauthorized parking in reserved spaces, and shall not be required to tow any unauthorized vehicles. Landlord may, in its discretion, from time to time, change the location of any reserved spaces **Notwithstanding anything to the contrary contained in this Lease, Landlord shall have no liability whatsoever for any property damage or loss which may occur in the Parking Area, or as a result of or in connection with the parking of motor vehicles in any of the parking spaces.** Landlord shall not charge Tenant for unreserved spaces in the Parking Areas.

32. **FINANCIAL REPORTING.** From time to time, but no more than once per year in the absence of a default by Tenant, or in connection with a sale or refinancing by Landlord, at Landlord's request, Tenant shall cause the following financial information to be delivered to Landlord, at Tenant's sole cost and expense, upon not less than ten days' advance written notice from Landlord: (a) a current financial statement, including a balance sheet a statement of income and expenses, for Tenant and Tenant's financial statements for the previous two accounting years, (b) a current financial statement for any guarantor(s) of this Lease and the guarantor's financial statements for the previous two accounting years, and (c) such other financial information pertaining to Tenant or any guarantor as Landlord or any lender or purchaser of Landlord may reasonably request. All financial statements shall be prepared in accordance with generally accepted accounting principles consistently applied and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant. Tenant hereby authorizes Landlord, from time to time, without notice to Tenant, to obtain a credit report or credit history on Tenant from any credit reporting company.

33. **WATER OR MOLD NOTIFICATION.** To the extent Tenant or its agents or employees discover any water leakage, water damage or mold in or about the Premises or Project, Tenant shall promptly notify Landlord thereof in writing. Mold is a naturally occurring substance. Mold is found both indoors and outdoors. The presence of mold may cause property damage or health problems. Tenant acknowledges that it shall be Tenant's responsibility to undertake necessary measures within Tenant's control to retard and prevent mold from accumulating within the Premises, including, but not limited to, the following: (a) maintaining the cleanliness of the Premises; (b) removing visible moisture accumulations on windows, window sills, walls, floors, ceilings and other surfaces as soon as reasonably possible; and (c) not blocking or covering any heating, ventilating or air conditioning ducts within the Premises. Tenant shall report immediately in writing to Landlord any evidence of mold or of a water leak or excessive moisture within the Premises, or the Building, of which Tenant becomes aware. Should Tenant desire a mold inspection or additional information about mold, Tenant should contact a professional in this field. If Landlord determines that any material concentrations of mold species or mold concentrations are detected in the Premises that are not found in air samples taken in the exterior of the Building and which, in the reasonable business judgment of Landlord, pose a hazard to the health and safety of the occupants of the Premises, and such mold species or mold concentrations were not introduced or caused by Tenant, its agents, employees, subtenants, or contractors (including but not limited to due to Tenant's failure to make repairs to the Premises as required of Tenant under this Lease), Landlord shall remediate any such excess mold concentrations and/or species within the Building, the cost of which shall be included in Operating Costs. If such mold concentrations or species are caused by Tenant, its agents, employees, subtenants, or contractors, then Tenant shall remediate any such excess mold concentrations at Tenant's sole cost and expense.

34. **UBTI.** Landlord and Tenant agree that all Rent payable by Tenant to Landlord shall qualify as "rents from real property" within the meaning of both Sections 512(b)(3) and 856(d) of the Internal Revenue Code of 1986, as amended (the "Code") and the U.S. Department of Treasury Regulations promulgated thereunder (the "Regulations"). In the event that Landlord, in its sole and absolute discretion, determines that there is any risk that all or part of any Rent shall not qualify as "rents from real property" for the purposes of Sections 512(b)(3) or 856(d) of the Code and the Regulations promulgated thereunder, Tenant agrees (a) to cooperate with Landlord by entering into such amendment or amendments as Landlord deems necessary to qualify all Rents as "rents from real property," and (b) to permit an assignment of this Lease; provided, however, that any adjustments required pursuant to this Section 25.28 shall be made so as to produce the equivalent Rent (in economic terms) payable prior to such adjustment.

35. **PROHIBITED PERSONS AND TRANSACTIONS.** Tenants represents and warrants that neither it nor, to its knowledge, any of its affiliates, nor any of its respective partners, members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents is, nor will they become, a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Assets Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and will not Transfer this Lease to, contract with or otherwise engage in any dealings or transactions or be otherwise associated with such persons or entities.

36. **ERISA.** Tenant represents that (i) neither Tenant nor any entity controlling or controlled by Tenant owns a ten percent (10%) or more interest (within the meaning of Prohibited Transaction Class Exemption 84-14) in JPMorgan Chase Bank, N.A. ("JPMorgan") or any of JPMorgan's affiliates, and (ii) neither JPMorgan, nor, to Tenant's actual knowledge (after having used reasonable efforts to ascertain the accuracy of such information), any of its affiliates, owns a ten percent (10%) or more interest in Tenant or any entity controlling or controlled by Tenant.

37. GENERAL PROVISIONS.

37.1 Construction Principles. The words “including” and “include” and similar words will not be construed restrictively to limit or exclude other items not listed. This Lease has been negotiated “at arm’s-length” by Landlord and Tenant, each having the opportunity to be represented by legal counsel of its choice and to negotiate the form and substance of this Lease. Therefore, this Lease shall not be more strictly construed against either party because one party may have drafted this Lease. If any provision of this Lease is determined to be invalid, illegal, or unenforceable, the remaining provisions of this Lease shall remain in full force, if the essential provisions of this Lease for each party remain valid, binding, and enforceable. The parties may amend this Lease only by a written agreement of the parties. This Lease shall constitute the entire agreement of the parties concerning the matters covered by this Lease. All prior understandings and agreements had between the parties concerning those matters, including all preliminary negotiations, lease proposals, letters of intent, and similar documents, are merged into this Lease, which alone fully and completely expresses the understanding of the parties. The provisions of this Lease may not be explained, supplemented, or qualified through evidence of trade usage or a prior course of dealings. In entering into this Lease, neither party has relied upon any statement, representation, warranty, or agreement of the other party except for those expressly contained in this Lease. There are no conditions precedent to the effectiveness of this Lease, other than those expressly stated in this Lease. Landlord and Tenant intend that faxed or PDF format signatures constitute original signatures binding on the parties. This Lease shall bind and inure to the benefit of the heirs, personal representatives, and, except as otherwise provided, the successors and assigns of the parties to this Lease. Each provision of this Lease shall be deemed both a covenant and a condition and shall run with the land. Any liability or obligation of Landlord or Tenant arising during the Lease Term shall survive the expiration or earlier termination of this Lease.

37.2 Radon Gas. The following notification is provided under Section 404.056(5), Florida Statutes: “Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county health department.”

37.3 Exhibits. All exhibits, riders, and addenda attached to this Lease shall, by this reference, be incorporated into this Lease. The following exhibits are attached to this Lease:

- EXHIBIT “A” — Legal Description of the Building
- EXHIBIT “B” — Location of Premises
- EXHIBIT “C” — Guaranty
- EXHIBIT “D” — Rules and Regulations
- EXHIBIT “E” — Tenant Improvements

38. JURY WAIVER; COUNTERCLAIMS. LANDLORD AND TENANT KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM INVOLVING ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE. TENANT FURTHER WAIVES THE RIGHT TO INTERPOSE ANY PERMISSIVE COUNTERCLAIM OF ANY NATURE IN ANY ACTION TO OBTAIN POSSESSION OF THE PREMISES.

IN WITNESS WHEREOF, this Lease has been executed on behalf of Landlord and Tenant as of the Date of this Lease.

WITNESSES:

LANDLORD:

/s/ Mark Seager

FOUNTAIN SQUARE ACQUISITION COMPANY LLC, a Delaware limited liability company

Signature of Witness 1

By: /s/ Robert Stephens

MARK SEAGER

Name: Robert Stephens

Print or type name of Witness 1

Title: Vice President

/s/ Brian McGehee

Date Executed: 8/7/13

Signature of Witness 2

Print or type name of Witness 2

TENANT:

Signature of Witness 1

FLEXSHOPPER, LLC, a North Carolina limited liability company

Print or type name of Witness 1

By: /s/ Brad Bernstein

Name: Brad Bernstein

Title: President

[Handwritten Signature]

Signature of Witness 2

Date Executed: 7-30-13

[Handwritten Signature]

Print or type name of Witness 2

EXHIBIT "A"

LEGAL DESCRIPTION OF THE BUILDING

Commencing at the Northwest corner of Section 13, Township 47 South, Range 42 East; thence South 00 degrees 49'25" West, along the West line of said Section 13, a distance of 1125.56 feet, thence South 89 degrees 10'35" East, a distance of 70.00 feet to the Easterly right-of-way of Military Trail; also being the Southerly right-of-way of Banyan Trail, and also being the Point of Beginning of the tract of land to be describe; thence continue South 89 degrees 10'35" East along the South right-of-way of Banyan Trail, a distance of 250.42 feet to the point of curvature of a curve concave to the North, having a radius of 200.00 feet and a central angle of 45 degrees 13'06", thence Southeasterly, Easterly and Northeasterly along the arc of said curve, a distance of 157.84 feet; thence South 44 degrees 23'41" East, a distance of 718.72 feet to a point on a curve concave to the Southeast, having a radius of 3505.65 feet and a central angle of 10 degrees 05'46"; said point also being on the Northwesterly right-of-way of the Seaboard Coastline Railroad; thence Southwesterly, along the arc of said curve and the Northwesterly right-of-way of said Railroad a distance of 617.73 feet to an intersection with a line that is parallel with and 550.00 feet North of the South line of the Northeast one-quarter (NE 1/4) of said Section 13; thence North 89 degrees 20'04" West, along said parallel line, a distance of 529.23 feet to the Easterly right-of-way line of Military Trail; thence North 00 degrees 49'25" East, along said Easterly right-of-way line, a distance of 939.78 feet to the Point of Beginning.

Now Known As:

HIGH WOODS SQUARE, according to the Plat thereof, recorded in Plat Book 84, Page 28, of the Public Records of Palm Beach County, Florida.

LESS that portion conveyed to the City of Boca Raton, Florida by Deed recorded in Official Records Book 10888, Page 92, and LESS lands conveyed to Palm Beach County by Deed recorded in Official Records Book 10716, Page 554.

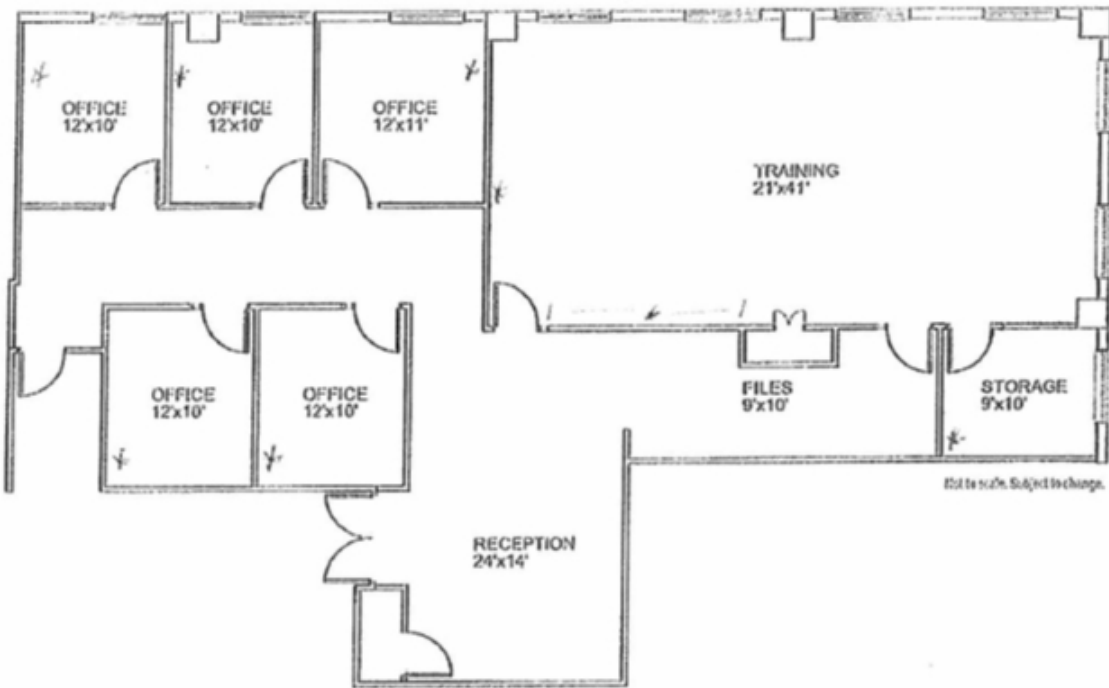
EXHIBIT "B"

LOCATION OF PREMISES



2650 N Military Trail, Boca Raton, Florida 33431

Suite 230
2,924 SF



contact information
Richard Brockney
rbrockney@mhcreal.com
Steven F. O'Hara
sohara@mhcreal.com
tel 561 394 5200

The above plan is for location of Premises only and is not a representation by Landlord as to any other improvements shown.

EXHIBIT "C"

GUARANTY

THIS IS A GENERAL GUARANTY WHICH IS ENFORCEABLE BY THE LANDLORD, ITS SUCCESSORS AND ASSIGNS. THIS IS ALSO AN ABSOLUTE AND UNCONDITIONAL GUARANTY.

The undersigned (the "**Guarantor**") absolutely and unconditionally guaranties the prompt and full performance and observance by FLEXSHOPPER, LLC, a North Carolina limited liability company (the "**Tenant**"), of all of the provisions to be performed by the Tenant under a Lease dated _____, 2013, between FOUNTAIN SQUARE ACQUISITION COMPANY LLC, a Delaware limited liability company (the "**Landlord**"), and Tenant for space at Fountain Square, 2650 North Military Trail, Boca Raton, Florida 33431, whether before, during, or after the Lease Term. Guarantor represents and warrants that it has a direct financial interest in Tenant and that it has received substantial consideration in exchange for making this Guaranty.

This is a guaranty of payment and not collection and Landlord may proceed directly against Guarantor without first proceeding with any remedies against Tenant. This Guaranty shall not be impaired by, and Guarantor consents to, any modification, supplement, extension, or amendment of the Lease to which the parties to the Lease may hereafter agree. Presentment, notice, and demand on Tenant or Guarantor and subsequent dishonor are not conditions to proceeding against Guarantor.

In connection with any suit, action, or other proceeding, including arbitration or bankruptcy, arising out of or in any manner relating to this Guaranty, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys', paralegals', and legal assistants' fees and disbursements (including disbursements which would not otherwise be taxable as costs in the proceeding) and expert witness fees through and including all post-judgment and appellate levels.

Any legal action or proceeding arising out of or in any way connected with this Guaranty shall be instituted in a court (federal or state) located in the county in which the Premises are located, which shall be the exclusive jurisdiction and venue for litigation concerning this Guaranty. Landlord and Guarantor shall be subject to the jurisdiction of those courts. The execution of this Guaranty and performance of its obligations by Guarantor, for purposes of personal or long-arm jurisdiction, constitutes doing business in the State of Florida under Section 48.193, Florida Statutes. In addition, Landlord and Guarantor waive any objection that they may now or hereafter have to the laying of venue of any action or proceeding in those courts, and further waive the right to plead or claim that any action or proceeding brought in any of those courts has been brought in an inconvenient forum. All payments to be made by Guarantor under this Guaranty shall be payable at Landlord's office at FOUNTAIN SQUARE ACQUISITION COMPANY LLC do J.P. Morgan Asset Management - Global Real Assets - Real Estate Americas, 270 Park Avenue, 7th Floor, New York, New York 10017.

This Guaranty is a continuing guaranty that shall be effective before the commencement of the Lease Term and shall remain effective following the Lease Term as to any surviving provisions that remain effective after the termination of the Lease. Guarantor's obligations under this Guaranty shall also continue in full force and effect after any transfer of the Tenant's interest under the Lease, during any renewals or extensions of the Lease Term, and during any holdover by Tenant after expiration of the Lease Term.

The liability of Guarantor under this Guaranty shall in no way be affected, modified, or diminished by reason of any of the following, regardless of whether Guarantor receives notice of them, all of which notices Guarantor expressly waives: (a) any assignment, renewal, modification, amendment, or extension of the Lease, or (b) any modification or waiver of or change in any of the terms, covenants, and conditions of the Lease by Landlord and Tenant, or (c) any extension of time that may be granted by Landlord to Tenant, or (d) any consent, release, indulgence, or other action, inaction, or omission under or in respect of the Lease, or (e) any dealings, or transactions, or matters between Landlord and Tenant that may cause the lease to terminate, including without limitation, any adjustment, compromise, deferral, waiver, settlement, accord and satisfaction, or release of Tenant's obligations under the Lease, or (f) any bankruptcy, insolvency, reorganization, liquidation, arrangement, assignment for the benefit of creditors, receivership, trusteeship, or similar proceeding affecting Tenant, or the rejection or disaffirmance of the Lease in any proceedings, whether or not notice of the proceedings is given to Guarantor.

For purposes of this Guaranty, on a default by Tenant under the Lease, which continues beyond the expiration of any applicable notice and cure period, the entire balance of all forms of Rent due under the Lease for the remainder of the Lease Term may be declared to be forthwith due and payable as provided in (but subject to the terms of) the Lease notwithstanding any stay, injunction, or other prohibition preventing a similar declaration as against Tenant and, in the event of any such declaration by Landlord, all of the obligations (whether or not due and payable by Tenant) shall forthwith become due and payable by Guarantor under this Guaranty.

If Landlord assigns the Lease or sells the Building, Landlord may assign this Guaranty to the assignee or transferee, who shall thereupon succeed to the rights of Landlord under this Guaranty to the same extent as if the assignee were an original guaranteed party named in this Guaranty, and the same rights shall accrue to each subsequent assignee of this Guaranty. If Tenant assigns or sublets the Premises, the obligations of the Guarantor under this Guaranty shall remain in full force and effect.

From time to time, Guarantor, on not less than five days' prior notice, shall execute and deliver to Landlord an estoppel certificate in a form generally consistent with the requirements of institutional lenders and certified to Landlord and any mortgagee or prospective mortgagee or purchaser of the Building. In addition, if requested, during any period (if any) that Guarantor is not a publicly traded entity, Guarantor shall provide any financial information concerning Guarantor that may be reasonably requested by any mortgagee or prospective mortgagee or purchaser of the Building.

If there is more than one Guarantor, the liability of each Guarantor shall be joint and several with all other Guarantors.

Guarantor authorizes Landlord, in Landlord's discretion, to obtain from time to time credit reports and information regarding Guarantor.

LANDLORD AND GUARANTOR KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM INVOLVING ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS GUARANTY AND THE LEASE.

ANCHOR FUNDING SERVICES, INC.,
a Delaware corporation, Guarantor

By: /s/ Brad Bernstein
Name: Brad Bernstein
Title: President

Guarantor's address:
10801 Johnston Road, Suite 210
Charlotte, NC 28226

Guarantor's Employer I.D. No. 20-5456087

Dated: 7-30-13

STATE OF)
) ss.:
COUNTY OF)

The foregoing instrument was acknowledged before me this 31 day of July, 2013 by Brad Bernstein, as President of ANCHOR FUNDING SERVICES, INC., a Delaware corporation, on behalf of the corporation. He/she is personally known to me or has produced _____ as identification.

OFFICIAL NOTARIAL SEAL:



/s/ Tania Danielian
Tania Danielian
(type, print, or stamp name)
NOTARY PUBLIC
My commission expires: 10/21/13
Commission No. _____

EXHIBIT "D"

RULES AND REGULATIONS

The following rules and regulations shall apply to the Premises, the Building, any parking garage or other parking lot or facility associated therewith, and the appurtenances thereto:

1. Sidewalks, doorways, vestibules, halls, stairways, and other similar areas shall not be obstructed by tenants or used by any tenant for purposes other than ingress and egress to and from their respective leased premises and for going from one to another part of the Building. The halls, passages, exits, entrances, elevators, stairways, balconies and roof are not for the use of the general public and Landlord shall, in all cases, retain the right to control and prevent access thereto by all persons whose presence in the judgment of Landlord, reasonably exercised, shall be prejudicial to the safety, character, reputation and interests of the Project. No Tenant Party shall go upon the roof of the Project.

2. Plumbing, fixtures and appliances shall be used only for the purposes for which designed, and no sweepings, rubbish, rags or other unsuitable material shall be thrown or deposited therein. Damage resulting to any such fixtures or appliances from misuse by a tenant or its agents, employees or invitees, shall be paid by such tenant.

3. No signs, advertisements or notices (other than those that are not visible outside the Premises) shall be painted or affixed on or to any windows or doors or other part of the Building without the prior written consent of Landlord. No nails, hooks or screws (other than those which are necessary to hang paintings, prints, pictures, or other similar items on the Premises' interior walls) shall be driven or inserted in any part of the Building except by Building maintenance personnel. No curtains or other window treatments shall be placed between the glass and the Building standard window treatments.

4. Landlord shall provide all initial door locks at the entry of each tenant's leased premises, at Tenant's cost, and no tenant shall place any additional door locks in its leased premises without Landlord's prior written consent. Landlord shall furnish to Tenant one key and/or access card to each of Tenant's employees to be located within Premises, at Landlord's cost, and Tenant shall not make a duplicate thereof. Replacement keys and/or access cards shall be provided on a reasonable basis and at Tenant's cost.

5. Movement in or out of the Building of furniture or office equipment, or dispatch or receipt by tenants of any bulky material, merchandise or materials which require use of elevators or stairways, or movement through the Building entrances or lobby shall be conducted under Landlord's supervision at such times and in such a manner as Landlord may reasonably require. Each tenant assumes all risks of and shall be liable for all damage to articles moved and injury to persons or public engaged or not engaged in such movement, including equipment, property and personnel of Landlord if damaged or injured as a result of acts in connection with carrying out this service for such tenant.

6. Landlord may prescribe weight limitations and determine the locations for safes and other heavy equipment or items, which shall in all cases be placed in the Building so as to distribute weight in a manner acceptable to Landlord which may include the use of such supporting devices as Landlord may require. All damages to the Building caused by the installation or removal of any property of a tenant, or done by a tenant's property while in the Building, shall be repaired at the expense of such tenant.

7. Corridor doors, when not in use, shall be kept closed. Nothing shall be swept or thrown into the corridors, halls, elevator shafts or stairways. No bicycles, birds or animals (other than seeing-eye dogs) shall be brought into or kept in, on or about any tenant's leased premises. No portion of any tenant's leased premises shall at any time be used or occupied as sleeping or lodging quarters.

8. Tenant shall cooperate with Landlord's employees in keeping its leased premises neat and clean. Tenants shall not employ any person for the purpose of such cleaning other than the Building's cleaning and maintenance personnel.

9. To ensure orderly operation of the Building, no ice, mineral or other water, towels, newspapers, etc. shall be delivered to any leased area except by persons approved by Landlord.

10. Tenant shall not make or permit any vibration or improper, objectionable or unpleasant noises or odors in the Building or otherwise interfere in any way with other tenants or persons having business with them.

11. No machinery or appliances of any kind (other than normal office equipment and normal break room appliances) shall be operated by any tenant on its leased area without Landlord's prior written consent, nor shall any tenant use or keep in the Building any flammable or explosive fluid or substance (other than typical office supplies [e.g., photocopier toner] used in compliance with all laws).

12. Landlord will not be responsible for lost or stolen personal property, money or jewelry from tenant's leased premises or public or common areas regardless of whether such loss occurs when the area is locked against entry or not.

13. No vending or dispensing machines of any kind may be maintained in any leased premises without the prior written permission of Landlord.

14. Tenant shall not conduct any activity on or about the Premises or Building which will draw pickets, demonstrators, or the like.

15. All vehicles are to be currently licensed, in good operating condition, parked for business purposes having to do with Tenant's business operated in the Premises, parked within designated parking spaces, one vehicle to each space. No vehicle shall be parked as a "billboard" vehicle in the parking lot. Any vehicle parked improperly may be towed away. Tenant, Tenant's agents, employees, vendors and customers who do not operate or park their vehicles as required shall subject the vehicle to being towed at the expense of the owner or driver. Landlord may place a "boot" on the vehicle to immobilize it and may levy a charge of \$50.00 to remove the "boot" Tenant shall indemnify, hold and save harmless Landlord from any liability arising from the towing or booting of any vehicles belonging to Tenant Party.

16. No tenant may enter into phone rooms, electrical rooms, mechanical rooms, or other service areas of the Building unless accompanied by Landlord or the Building manager.

17. Tenant will not permit any Tenant Party to bring onto the Project any handgun, firearm or other weapons of any kind, illegal drugs or, unless expressly permitted by Landlord in writing, alcoholic beverages.

18. Tenant shall not permit any Tenant Party to smoke in the Premises or anywhere else on the Project, except in any Landlord-designated smoking area outside the Building. Tenant shall cooperate with Landlord in enforcing this prohibition and use its best efforts in supervising each Tenant Party in this regard.

19. Tenant shall not allow any Tenant Party to use any type of portable space heater in the Premises or the Building.

20. Only artificial holiday decorations may be placed in the Premises, no live or cut trees or other real holiday greenery may be maintained in the Premises or the Building.

21. Tenant shall not park or operate any semi-trucks or semi-trailers in the parking areas associated with the Building.

22. Tenant shall cooperate fully with Landlord to assure the most effective operation of the Premises or the Project's heating and air conditioning, and shall refrain from attempting to adjust any controls, other than room thermostats installed for Tenant's use. Tenant shall keep corridor doors closed and shall turn off all lights before leaving the Project at the end of the day.

23. Without the prior written consent of Landlord, Tenant shall not use the name of the Project or any picture of the Project in connection with, or in promoting or advertising the business of, Tenant, except Tenant may use the address of the Project as the address of its business.

24. Tenant shall not exhibit, sell or offer for sale, rent or exchange in the Premises or at the Project any article, thing or service to the general public or anyone other than Tenant's employees without the prior written consent of Landlord.

25. Tenant shall ensure that all portions of the leased premises visible from any interior Building common areas are lighted at all times during normal business hours regardless whether the leased premises are occupied.

EXHIBIT "E"

TENANT IMPROVEMENTS

Condition of Premises. Landlord has made no representation or promise as to the condition of the Premises. Landlord shall not perform any alterations, additions, or improvements in order to make the Premises suitable and ready for occupancy and use by Tenant. Tenant has inspected the Premises, is fully familiar with the physical condition of the Premises, and shall accept the Premises "as-is," "where-is," without any warranty, express or implied, or representation as to fitness or suitability. Landlord shall not be liable for any latent or patent defect in the Premises. Notwithstanding the foregoing, Landlord shall, at its expense, using Building standard materials, (i) re-paint and re-carpet the Premises (including the storage room), (ii) install a 48" laminate vanity/sink in the area indicated, and (iii) paint 8 walls with "dry-erase" paint where indicated (collectively, the "**Landlord's Work**").

Tenant shall be responsible for all furniture, fixtures, appliances, telecommunications installations, and all other improvements to the Premises not described above.

SECOND AMENDMENT TO LEASE AGREEMENT

The parties to this Second Amendment to Lease Agreement (the **“Amendment”**) are FOUNTAIN SQUARE OWNER, LLC, a Delaware limited liability company (the **“Landlord”**), and FLEXSHOPPER, LLC, a North Carolina limited liability company authorized to transact business in Florida (the **“Tenant”**), who, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, agree as follows:

1. Background.

1.1 Fountain Square Acquisition Company LLC (**“Original Landlord”**) and Tenant entered into that certain Lease dated August 7, 2013 (as amended, the **“Lease”**) for Suite 230, Fountain Square, 2600 North Military Trail, Boca Raton, Florida.

1.2 Original Landlord and Tenant entered into that certain First Amendment to Lease Agreement dated February 7, 2014, which, among other things, extended the Lease Term and relocated the Premises to Suite 200, 2700 North Military Trail, Boca Raton, Florida (the **“Existing Premises”**).

1.3 Landlord is the successor in title and interest to the Original Landlord and is the owner and holder of the Original Landlord’s interest under the Lease.

1.4 The parties have now agreed to expand the Premises to include additional space and wish to amend the Lease on the terms and conditions contained in this Amendment.

2. Definitions. Capitalized terms used but not defined in this Amendment shall have the same definitions given to them in the Lease, unless the context clearly indicates a contrary intent. If there is any conflict between the terms of this Amendment and the Lease, the terms of this Amendment shall control. For purposes of this Amendment, the term **“Date of this Amendment”** shall mean the date on which this Amendment is executed by the last one of the parties to do so.

3. Landlord’s Notice Address.

FOUNTAIN SQUARE OWNER, LLC
c/o NAI Merin Hunter Codman, Inc.
1601 Forum Place, Suite 200
West Palm Beach, FL 33401
Attention: Jordan D. Paul
Telephone: (561) 471-8000

With a copy to:

FOUNTAIN SQUARE OWNER, LLC
c/o NAI Merin Hunter Codman, Inc.
951 Yamato Road, Suite 102
Boca Raton FL 33431
Attention: Jay M. Grossman
Telephone: 561-394-5200

4. Landlord’s Address for Payments.**Lockbox Mailing Address:**

Fountain Square Owner, LLC
P.O. Box 714141
Cincinnati, OH 45271-4141

Lockbox Address for Overnight Delivery (only):

Fountain Square Owner, LLC
Attn: Wholesale Lockbox #714141
895 Central Ave., Suite 600
Cincinnati, OH 45202

5. **Tenant's Notice Address.** All notices to Tenant under this Amendment should be sent to 2700 N. Military Trail, Suite 200, Boca Raton, FL 33431.

6. Expansion of Premises.

6.1 **General.** Upon the Expansion Space Commencement Date (as defined below), the Premises shall be expanded to include Suite 130 located on the first floor of the building located at 2650 North Military Trail, Boca Raton, Florida, which is depicted in the sketch attached to this Amendment as **EXHIBIT "A"** and made a part of this Amendment (the "**Expansion Space**"), together with the Existing Premises. The Rentable Area of the Expansion Space is conclusively deemed for all purposes under this Amendment and the Lease to be 2,036 square feet. The Rentable Area of the Premises, being the Expansion Space and Existing Premises, is conclusively deemed for all purposes under this Amendment and the Lease to be 8,839 square feet. This square footage figure includes an add-on factor for Common Areas in the Building and has been agreed upon by the parties as final and correct and is not subject to challenge or dispute by either party. From and after the Expansion Space Commencement Date, whenever the term Premises is used in the Lease or this Amendment it shall mean the Existing Space together with the Expansion Space, and whenever the term Building is used in the Lease or this Amendment, it shall mean the respective building in which the applicable portion of the Premises is located if specific to the use and occupancy of said portion of the Premises, or all buildings which contain a portion of the Premises, as the context may require.

6.2 **Expansion Space Commencement Date.** The "**Expansion Space Commencement Date**" or "**ESDC**" shall mean the earlier to occur of (a) the date when Tenant takes possession of the Expansion Space or any portion of the Expansion Space for the conduct of its business, or (b) April 1, 2017. Landlord shall, in accordance with the foregoing and the terms of this Amendment, fix the Expansion Space Commencement Date and shall notify Tenant of the date so fixed. Tenant shall, if Landlord so requests, within ten days of receipt execute a letter confirming the Expansion Space Commencement Date and the expiration date of the Lease substantially in the form of **EXHIBIT "B"** to this Amendment. The failure of Tenant to execute the letter shall not affect the validity of the Expansion Space Commencement Date as fixed by Landlord.

7. **Prepaid Rent and Security Deposit.** Upon execution of this Amendment by Tenant, Tenant shall deliver to Landlord (a) \$5,700.04 on account of prepaid Rent (Base Rent, Operating Costs, and sales tax for the first month following the rent credit period set forth below) and (b) \$5,927.40 as additional Security Deposit to be held by Landlord in accordance with the Lease.

8. **Allocated Share.** As of the Expansion Space Commencement Date, Tenant's Allocated Share shall be increased to 3.66%.

9. **Base Rent.** Effective on the Expansion Space Commencement Date, the Base Rent for the Expansion Space shall be as follows:

Period	Rate P/S/F Per Annum	Monthly Base Rent	Period Base Rent
ESCD - Month 12	\$ 20.50	\$ 3,478.17*	\$ 41,738.00*
Months 13 - 24	\$ 21.12	\$ 3,583.36	\$ 43,000.32
Month 25 - 6/30/19	\$ 21.75	\$ 3,690.25	varies

Base Rent amounts shown above do not include applicable sales tax.

* Provided that Tenant is not in default of the Lease beyond any applicable grace period at any time during the rent credit period, Tenant shall have a Rent credit in the amount of the Base Rent owed for the Expansion Space only for the first full calendar month following the Expansion Space Commencement Date, which credit shall be applied to the installment of Base Rent due for the Expansion Space for that month. Accordingly, if the Expansion Space Commencement Date occurs on a day other than the first day of the month, the prorated Rent for the Expansion Space for the first partial month of the Lease Term shall be due on the Expansion Space Commencement Date and the rent credit period shall commence on the first day of the first full calendar month following the Expansion Space Commencement Date and shall expire on the last day of the first full calendar month following the Expansion Space Commencement Date. Tenant shall remain liable for all additional rent owed under the Lease during the rent credit period, such as, but not limited to, Tenant's Allocated Share of Operating Costs.

10. Condition of Expansion Space. Landlord has made no representation or promise as to the condition of the Expansion Space. Landlord shall not perform any alterations, additions, or improvements in order to make the Expansion Space suitable and ready for occupancy and use by Tenant. Tenant has inspected the Expansion Space, is fully familiar with the physical condition of the Expansion Space, and shall accept the Expansion Space "as is," "where is," and "with all faults," and without any warranty, express or implied, or representation as to fitness or suitability. Notwithstanding the foregoing, Landlord will (a) steam-clean the carpet in the Expansion Space and (b) remove the cabinets in the room located in the back right corner of the Expansion Space, patching and painting walls and repairing carpet where necessary in the areas affected by the removal using Building standard materials; provided, that, such paint and carpet may not match existing finishes within the Expansion Space.

11. No Further Extension or Cancellation. Tenant acknowledges that the Lease contains no further rights to extend or renew the term of the Lease, or to terminate the Lease early, any of which rights are hereby expressly deleted and are of no further force or effect.

12. Ratification. Except as modified by this Amendment, the Lease shall remain otherwise unmodified and in full force and effect and the parties ratify and confirm the terms of the Lease as modified by this Amendment. The Lease, as amended, contains the entire agreement between Landlord and Tenant as to the Premises, and there are no other agreements, oral or written, between Landlord and Tenant relating to the Premises. Tenant certifies: (a) that it has no offsets, defenses, or claims as to Landlord's or Tenant's obligations under the Lease; (b) that there are no defaults existing under the Lease on the part of either Landlord or Tenant; and (c) there is no existing basis for Tenant to terminate the Lease. All future references to the Lease shall mean the Lease as modified by any and all prior amendments and by this Amendment.

13. Broker. Landlord and Tenant each represent and warrant that they have neither consulted nor negotiated with any broker or finder regarding the Premises, except NAI/Merin Hunter Codman, Inc. ("Landlord's Broker"). Landlord shall pay Landlord's Broker pursuant to a separate written agreement, provided that neither the foregoing nor anything else in the Lease is intended to grant such Broker any rights under the Lease or make it a third party beneficiary of this Amendment. Tenant shall indemnify, defend, and hold Landlord harmless from and against any claims for commissions from any real estate broker other than the Landlord's Broker with whom it has dealt in connection with this Amendment. Landlord shall indemnify, defend, and hold Tenant harmless against payment of any leasing commission due the Landlord's Broker in connection with this Amendment and any claims for commissions from any real estate broker other than the Landlord's Broker with whom Landlord has dealt in connection with this Amendment. The terms of this section shall survive the expiration or earlier termination of the Lease.

14. REIT Provisions.

14.1 Assignments/Subleasing. Without limiting Landlord's right to withhold its consent to any assignment, sublease or other transfer of the Lease by Tenant as may be set forth in the Lease, and regardless of whether Landlord shall have consented to any such transfer, neither Tenant nor any other person having an interest in the possession, use, or occupancy of any portion of the Premises shall enter into any lease, sublease, license, concession, assignment, or other transfer or agreement for possession, use, or occupancy of all or any portion of the Premises which provides for rental or other payment for such use, occupancy, or utilization based, in whole or in part, on the net income or profits derived by any person or entity from the space so leased, used, or occupied, and any such purported lease, sublease, license, concession, assignment, or other transfer or agreement shall be absolutely void and ineffective as a conveyance of any right or interest in the Premises. There shall be no deduction from the rental payable under any sublease or other transfer nor from the amount of the rental passed on to any person or entity, for any expenses or costs related in any way to the subleasing or transfer of such space.

14.2 REIT Status. It is intended that all rent payable to Landlord under the Lease shall qualify as “rent from real property” within the meaning of Section 856(d) of the Internal Revenue Code of 1986, as amended (the “**Code**”) and the Department of the U.S. Treasury Regulations promulgated hereunder (the “**Regulations**”). Should the Code or the Regulations, or interpretations of either by the Internal Revenue Service in revenue rulings or other similar public pronouncements, be changed so that any rent under the Lease no longer qualifies as “rent from real property” for purposes of Section 856(d) of the Code and Regulations, or any successor provision, that rent shall be adjusted in any manner the Landlord may require so that it will so qualify. Any adjustments required under this section shall be made so as to produce the equivalent (in economic terms) rent as payable before the adjustment and shall not increase Tenant’s monetary obligations as originally provided in the Lease or decrease Tenant’s rights under the Lease or result in any other adverse impact on Tenant, financial or otherwise. The parties shall execute any further instrument as may be reasonably required by Landlord in order to give effect to these provisions.

15. Miscellaneous Provisions. Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed it and delivered it to Tenant. This Amendment constitutes the final agreement between the parties. It is the complete and exclusive expression of the parties’ agreement on the matters contained in this Amendment. All prior and contemporaneous negotiations and agreements between the parties on the matters contained in this Amendment are expressly merged into and superseded by this Amendment. The provisions of this Amendment may not be explained, supplemented, or qualified through evidence of trade usage or a prior course of dealings. The parties may amend this Amendment only by a written agreement of the parties that identifies itself as an amendment to this Amendment or the Lease. The parties may execute this Amendment in multiple counterparts, each of which constitutes an original, and all of which, collectively, constitute only one agreement. The signatures of all of the parties need not appear on the same counterpart, and delivery of an executed counterpart signature page by facsimile or in PDF format is as effective as executing and delivering this Amendment in the presence of the other parties to this Amendment. This Amendment is effective upon delivery of one executed counterpart from each party to the other party. In proving this Amendment, a party must produce or account only for the executed counterpart of the party to be charged. Whenever placed before one or more items, the words “include,” “includes,” and “including” shall mean considered as part of a larger group, and not limited to the item(s) recited. Each party has reviewed this Amendment and all of its terms with legal counsel, or had an opportunity to review this Amendment with legal counsel, and is not relying on any representations made to him by any other person concerning the effect of this Amendment. This Amendment shall be interpreted without regard to any presumption or rule requiring construction against the party causing this Amendment to be drafted. No inference shall be drawn from the modification or deletion of versions of the provisions of this Amendment contained in any drafts exchanged between the parties before execution of the final version of this Amendment that would be inconsistent in any way with the construction or interpretation that would be appropriate if the prior drafts had never existed.

16. NO RELIANCE; INCONTESTABILITY. EACH PARTY AGREES IT HAS NOT RELIED UPON ANY STATEMENT, REPRESENTATION, WARRANTY, OR AGREEMENT OF THE OTHER PARTY EXCEPT FOR THOSE EXPRESSLY CONTAINED IN THIS AMENDMENT, AND EACH PARTY HEREBY WAIVES AND RELEASES ALL CLAIMS AND CAUSES OF ACTION FOR FRAUD IN THE INDUCEMENT OR PROCUREMENT OF THIS AMENDMENT, IT BEING THE PARTIES’ INTENT THAT THIS AMENDMENT BE INCONTESTABLE ON ACCOUNT OF ANY CLAIM OF FRAUD, OR FOR ANY OTHER REASON. THE FOREGOING WAIVER AND RELEASE IS MADE BY EACH PARTY IN CONSIDERATION OF THE OTHER PARTY’S RECIPROCAL WAIVER AND RELEASE, AND IS A MATERIAL INDUCEMENT FOR EACH PARTY IN ENTERING INTO THIS AMENDMENT.

[Signatures on following page]

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Amendment as of the Date of this Amendment.

WITNESS:

LANDLORD:

Signature of Witness 1

FOUNTAIN SQUARE OWNER, LLC, a Delaware limited liability company

Print name of Witness 1

By: _____

Name: _____

Title: _____

Signature of Witness 2

Date Executed: _____

Print name of Witness 2

TENANT:

/s/ Kaimi Jones

Signature of Witness 1

FLEXSHOPPER, LLC, a North Carolina limited liability company

Kaimi Jones

Print name of Witness 1

By: /s/ Brad Bernstein

Name: Brad Bernstein

Title: CEO

/s/ Tesha Paul

Signature of Witness 2

Date Executed: 3-14-17

Tesha Paul

Print name of Witness 2

REAFFIRMATION AND MODIFICATION OF GUARANTY

The undersigned Guarantor joins in the execution of Second Amendment to Lease Agreement to which this agreement is attached and specifically agrees as follows:

The undersigned Guarantor acknowledges that it has read and agrees to be bound by all of the terms of the Second Amendment to Lease Agreement.

The undersigned Guarantor represents and warrants that it has no claims, offsets, or defenses whatsoever as to any of his obligations under the Guaranty executed by it in connection with the Lease.

The undersigned Guarantor restates, reaffirms, and confirms all of the terms and provisions of the Guaranty, including, but not limited to, all of the representations and warranties set forth in the Guaranty, all of which shall remain unmodified and in full force and effect, except that the Guaranty shall now include all amounts which may become due Landlord under the Lease, as modified by the Second Amendment to Lease Agreement. The undersigned Guarantor guaranties payment of all such amounts in the manner and under the terms of the Guaranty.

LANDLORD AND GUARANTOR KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM INVOLVING ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE GUARANTY AND THE LEASE

WITNESSES

/s/ Tesha Paul
Signature of Witness 1

Tesha Paul
Print name of Witness 1

/s/ Kaimi Jones
Signature of Witness 2

Kaimi Jones
Print name of Witness 2

FLEXSHOPPER, INC., a Delaware corporation, f/k/a ANCHOR FUNDING SERVICES, INC.

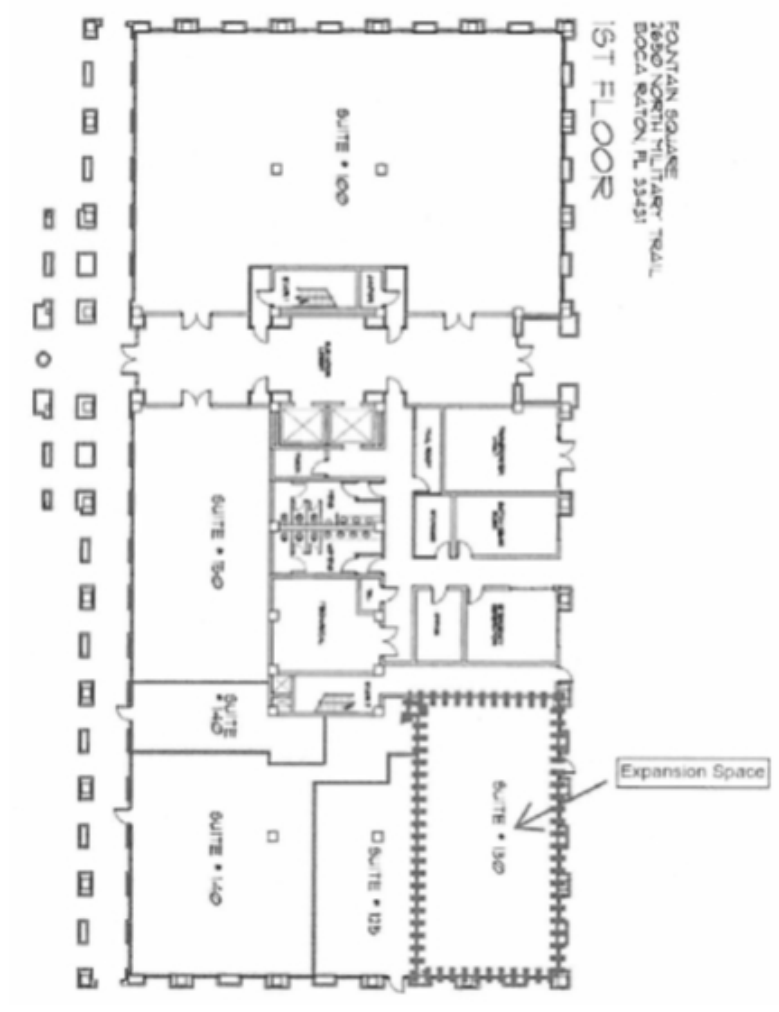
By: /s/ Brad Bernstein for Flexshoppers, Inc.
Name: Brad Bernstein
Title: CEO

[CORPORATE SEAL]

Guarantor's Address:

2700 N Military Trail Suite 200
Boca Raton FL 33431
Date: 3-14-17

EXHIBIT "A"
LOCATION OF EXPANSION SPACE



The above plan is for location of the expansion Space only and is not a representation by Landlord as to any other improvements shown.

EXHIBIT "B"

(Commencement Date Letter)

FOUNTAIN SQUARE OWNER, LLC
c/o NAI Merin Hunter Codman, Inc., 1601 Forum Place, Suite 200
West Palm Beach, Florida 33401

_____, 2017

FLEXSHOPPER, LLC
2700 North Military Trail, Suite 200
Boca Raton, Florida 33431

Re: Second Amendment to Lease Agreement dated _____ by and between FOUNTAIN SQUARE OWNER, LLC, as Landlord, and FLEXSHOPPER, LLC, as Tenant (the "Lease")

Dear _____:

Under **Section 6.2** of the Second Amendment to Lease Agreement, this will confirm that:

1. All Tenant Improvements required under the terms of this Amendment have been satisfactorily performed in accordance with the terms of this Amendment and as of the date of this notice Tenant has inspected the Expansion Space and accepted the Expansion Space "as-is", "where-is"; and
2. The Expansion Space Commencement Date is _____.

WITNESSES:

Signature of Witness 1

Print name of Witness 1

Signature of Witness 2

Print name of Witness 2

TENANT:

ACKNOWLEDGED AND AGREED:

FLEXSHOPPER, LLC,
a North Carolina limited liability company

By: [SAMPLE] _____
Name: _____
Title: _____

LANDLORD:

FOUNTAIN SQUARE OWNER, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

Date Executed: _____

STANDARD RETAIL SPACE LEASE

THIS LEASE is made and entered into as of the 25th day of August, 2017, by and between **1014 PEPPER, INC.**, a Florida corporation (“Landlord”), and **FLEXSHOPPER, LLC**, a North Carolina limited liability company qualified to do business in the State of Florida (“Tenant”).

I
DEFINED TERMS

Section 1.1 Defined Terms.

- A. PREMISES:** Store No. 4724, as identified on the Site Plan annexed hereto as Exhibit A and made a part hereof, which are deemed for all purposes hereunder to contain approximately 960 square feet, whose street address is 4724 Okeechobee Blvd., West Palm Beach, Florida 33417 (the “Premises”). The Premises are in that certain strip shopping center known as PEPPER TREE PLAZA (the “Shopping Center”).
- B. TERM:** the Term shall be for a period of one (1) year commencing the date hereof and ending September 30, 2018 (the “Term”). Provided Tenant is not then in default in fulfilling any of the terms, covenants and conditions of this Lease, and provided further that Tenant gives written notice to Landlord of Tenant’s election to renew this Lease by certified mail, return receipt requested, no later than six (6) months before the expiration of the then applicable term of this Lease, Tenant shall have the option to renew this Lease for TWO (2) additional consecutive terms of THREE (3) years each upon the same terms, covenants and conditions of this Lease, except with respect to Rent, which shall be adjusted as provided in the last paragraph of Section 1.1(C).
- C. RENT:** Rent shall equal the following:
- From the date hereof to September 30, 2017 - \$-0-
- October 1, 2017 to September 30, 2018 - \$2,000.00 per month, plus applicable sales tax (which is currently 7%).
- Effective October 1, 2018 and each October 1 thereafter until the expiration of the Lease, Tenant’s Rent payable under the Lease shall be adjusted upward by an amount equal to four percent (4%) of the prior year’s Rent (i.e., a fixed amount of 4%).
- D. USE:** -Sales Center for FlexShopper returned or repossessed items-
- E. TAX/INSURANCE:** Tenant shall pay, as additional rent, its prorata share of any and all real estate taxes and assessments assessed against or insurance costs incurred by the Shopping Center over the amount of such real estate taxes and assessments assessed and insurance costs incurred in 2015, each calculated separately. It is expressly agreed between the parties that in addition to paying the sum due when billed the first time there is an increase in either such item, if Landlord so elects, Tenant will make monthly escrow payments to Landlord for future estimated increases. The escrow period may be reevaluated periodically by Landlord and shall be structured so that the entire amount of real estate taxes and assessments and the entire amount of insurance costs due and payable will be paid to Landlord in full one month before each such items is first due or payable. Failure to comply with the foregoing will be considered a breach of this Lease.
- F. OPERATING UNDER FOLLOWING BUSINESS NAME:** -FlexShopper—
-

G. SECURITY DEPOSIT and FIRST MONTHS' RENT:

Security Deposit: -\$4,280.00-
October 2017 Rent: -\$2,140.00-

H. NOTICE ADDRESS:

TO LANDLORD: Samuel Susi, President
1014 Pepper, Inc.
7806 Charney Lane
Boca Raton, Florida 33496

TO TENANT: H. Russell Heiser Jr.
Chief Financial Officer
FlexShopper Inc., Manager/Member
2700 N Military Trail, Suite 200
Boca Raton, FL 33431

I. BROKER: -None-

Section 1.2 Shopping Center, Premises and Term. Landlord hereby leases to Tenant and Tenant hereby rents from Landlord the Premises for the Term. Any access by Tenant to the Premises prior to the commencement of the Term shall be upon all of the terms, covenants and conditions of this Lease, including, but not limited to, the payment of rent and other charges.

Section 1.3 Estoppel Certificates. When requested by Landlord, Tenant shall promptly and without cost to Landlord execute, acknowledge and deliver to any person designated by Landlord a written estoppel certificate with respect to the Premises in form and substance prepared by Landlord,

Section 1.4 Quiet Enjoyment. Tenant, upon paying the rents herein reserved and performing and observing all of the other terms, covenants and conditions of this Lease on Tenant's part to be performed and observed, shall peaceably and quietly have, hold and enjoy the Premises during the Term, without interference of any person or entity claiming by, through or under Landlord, subject, nevertheless, to the terms of this Lease and to any mortgages, agreements and other encumbrances to which this Lease is subordinated and to all matters of title now or hereafter recorded in the public records or otherwise affecting title to the Shopping Center or any part thereof.

**II.
RENT AND OTHER CHARGES**

Section 2.1 Rent. Tenant shall pay to Landlord without previous demand therefor and without any setoff or deduction whatsoever, the Rent in equal monthly installments, in advance, on the first day of each and every calendar month throughout the Term, except that the first full installment of Rent shall be paid upon the execution of this Lease and, if the Term commences on a date other than the first day of a month, Tenant shall pay Landlord a pro-rata portion of such Rent, calculated on a thirty (30) day calendar month, upon the execution of this Lease.

Section 2.2 Sales Taxes. Tenant shall pay to Landlord each month, together with Tenant's monthly installment of Rent, a sum equal to all taxes and other governmental impositions assessed upon the consideration to be received by Landlord for this Lease, including, but not limited to, sales taxes.

Section 2.3 Utilities. Tenant shall pay promptly, as and when the same become due and payable, all utilities which are separately metered, submetered or billed to the Premises, including, but not limited to, water and sewer, electricity and telephone charges. Tenant shall place all security deposits required for utility service. Landlord shall have no liability to Tenant for the quality, quantity, failure or disruption of any utility service, and in no event shall such disruption constitute constructive eviction or entitle Tenant to an abatement of rent or other charges.

As to utilities for which public utility companies might otherwise be a direct provider, Landlord may install, at Landlord's expense, re-registering meters and Tenant shall pay to Landlord any and all charges shown to be due thereby (Landlord thereafter making returns to the proper public utility company or governmental unit), as long as Tenant is thereby charged the rates it would be charged for the same utilities if metered directly to the Premises by such companies or governmental units. Any of the aforesaid monthly charges due Landlord shall be due and payable at the same time that Rent is payable, or, if separately billed, within ten (10) days after billings therefor are rendered to Tenant.

Section 2.4 Trash; Dumpster; Debris. Tenant shall at all times keep the Premises and the exterior of Tenant's Premises and the exterior of Tenant's dumpster (if any), free of any and all materials, trash and debris, Tenant understanding and agreeing that nothing may be kept or stored outside of the Premises and that all trash generated from Tenant's business must be properly disposed of within the Shopping Center's trash dumpster. If any trash or other discarded materials are disposed of by Tenant or any other person working for Tenant anywhere else in the Shopping Center, Tenant shall be solely responsible for any additional costs incurred by Landlord in cleaning up and removing same.

Section 2.5 Personal Property Taxes. Tenant shall pay before delinquency all taxes assessed against Tenant's fixtures, furnishings, leasehold, improvements, equipment and stock-in-trade placed in or on the Premises. Any such taxes paid by Landlord shall be due and payable from Tenant to Landlord within ten (10) days after billings therefor are rendered to Tenant.

III. ACCEPTANCE OF PREMISES

Section 3.1 Tenant hereby accepts the Premises in their "AS IS" condition and without the necessity of any changes, additions or alterations by Landlord. Any other work within or in any way related to the Premises shall be the sole responsibility of Tenant, at Tenant's sole cost and expense, only after Landlord's prior written approval, which approval shall not be unreasonably withheld.

Before commencing any work in the Premises, Tenant shall, at Tenant's sole cost and expense, obtain from Landlord its preliminary design approval and, consistent therewith, prepare and submit to Landlord within such same period the required number of fully dimensioned and scaled plans and specifications prepared by Tenant's architect licensed in the jurisdiction where the Premises are located, which plans and specifications (hereinafter called "Working Drawings") shall include all of Tenant's plans and specifications for the completion of the Premises (and which shall include all load and other calculations required by applicable code, and provide for all work which is described herein as being "Tenant's Work"). The Working Drawings are subject to Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed. Once approved by Landlord in writing, the work reflected in the Working Drawings shall constitute "Tenant's Work."

IV. COMMON AREAS; USE OF PREMISES

Section 4.1 Common Areas. All common areas and other common facilities of the Shopping Center (the "common areas") shall be subject to the exclusive control and management of Landlord, expressly reserving to Landlord the right to make such changes to the common areas as Landlord shall deem desirable. Landlord hereby expressly reserves the right, from time to time to construct, maintain and operate lighting and other facilities, equipment and signs on all of the common areas; to police the same; to close temporarily all or any portion of the common areas for the purpose of making repairs or changes; to establish, modify and enforce rules and regulations with respect to the common areas and the use to be made thereof; and to grant individual tenants the right to conduct sales in the common areas. If the common areas are changed, Landlord shall not be subject to any liability therefor, nor shall Tenant be entitled to any compensation or diminution or abatement of rent (or other charges), nor shall such change be deemed a constructive or actual eviction. Landlord reserves the right to grant to third persons the non-exclusive right to cross over and use in common with Landlord and all tenants of the Shopping Center the common areas.

Section 4.2 Use of Premises. Tenant agrees to use the Premises only for the permitted uses expressly set forth herein and for no other purpose. Tenant covenants that, during the Term, no part of the Premises or improvements thereon shall be used in any manner whatsoever for any purposes in violation of the laws, ordinances, regulations, or orders of the United States, or of the State, County, and/or City or other applicable governmental subdivisions where the Premises are located. Tenant shall comply with all such laws, ordinances, regulations and orders now in effect or hereafter enacted or passed during the Term insofar as the Premises and any signs of the Tenant are concerned including, but not limited to, zoning ordinances, building codes and fire codes, and shall make at Tenant's own cost and expense all additions and alterations to the Premises ordered or required by such authorities. Tenant agrees to comply with all of the rules and regulations of the Fire Insurance Rating Organization having jurisdiction over the Premises.

Section 4.3 Additional Covenants of Tenant. Tenant's use of the Premises and the common areas shall be subject at all times during the Term to those rules and regulations adopted by Landlord, not in conflict with any of the express provisions hereof, governing the use of the common areas, signs, exteriors of buildings, lighting and other matters affecting other tenants in and the general management and appearance of the Shopping Center. Tenant agrees to comply with all such rules and regulations upon notice to Tenant from Landlord. The present rules and regulations applicable to the Shopping Center are attached hereto and made a part hereof as Exhibit "B".

Section 4.4 Signs, Awnings and Canopies. Landlord may erect and maintain such signs, awnings and canopies as it, in its sole discretion, may deem appropriate in the Shopping Center. Tenant may erect and maintain only such signs as Landlord may approve. Tenant shall submit to Landlord detailed drawings of its signs for review and approval by Landlord prior to erecting said signs on the Premises. Without limiting the generality of the foregoing, all of Tenant's signs shall comply with Landlord's sign criteria. Tenant shall keep insured and maintain such signs in good condition, repair and operating order (including, but not limited to, replacing any lights as needed) at all times. If any damage is done to Tenant's signs, Tenant shall commence to repair same within five (5) days or Landlord may, at its option, repair same at Tenant's expense.

Landlord has designated the roof parapet wall area as the location for Tenant's main back-lit, illuminated sign. Tenant may also erect one or more interior signs. All signs shall meet Landlord's sign criteria as to size (length, height and width), construction materials, style and type of lettering, color and the like. Within thirty (30) days of the execution of the Lease, Tenant shall deliver to Landlord, for Landlord's approval, the plans and specifications (and, if requested by Landlord, color renderings) for Tenant's sign. Landlord shall have the right to approve, comment, or reject any such sign. Once Landlord's approval has been obtained, Tenant, at its sole cost and expense, shall cause its contractor to fabricate and erect such signs and Tenant shall thereafter maintain and repair same in a first class condition (including, but not limited to, replacing as soon as possible burned out or defective bulbs).

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, NO LATER THAN OCTOBER 1, 2017, TENANT AGREES TO INSTALL ON THE BUILDING AT THE PREMISES, AN EXTERIOR SIGN APPROVED BY LANDLORD, IN COMPLIANCE WITH SECTION 4.4 OF THE LEASE. FAILURE TO COMPLY WITH THIS REQUIREMENT SHALL CONSTITUTE A DEFAULT UNDER THE LEASE, ENTITLING LANDLORD TO EXERCISE ALL REMEDIES AVAILABLE TO LANDLORD UNDER THIS LEASE FOR DEFAULT.

V.
INSURANCE REQUIRED OF TENANT

Section 5.1 Insurance Required of Tenant. Tenant shall maintain, at Tenant's sole cost and expense, with a reputable and highly rated insurance company or companies licensed in Florida and reasonably acceptable to Landlord, (i) property insurance covering the Premises and each and every component thereof, and all the equipment and tangible personal property of Tenant, for an amount not less than its full insurable value on a replacement cost basis, with extended and broad form coverages, naming Landlord as an additional insured, and (ii) general comprehensive liability insurance, naming both Tenant and Landlord as insureds, with initial limits of not less than One Million Dollars (\$1,000,000.00) as to personal injury or death, and One Hundred Thousand Dollars (\$100,000.00) with respect to property damage. Evidence of such insurance shall be provided to Landlord by Tenant on or before the earlier of the commencement of the Term or Tenant's entering the Premises for any purpose and shall be kept in force at all times thereafter.

Before undertaking any alteration, additions, improvements or construction, Tenant shall obtain at its expense a "builder's risk" insurance policy insuring Tenant and Landlord against any liability which may arise on account of such proposed alterations, additions, improvements or construction on an occurrence basis with the minimum limits set forth herein.

VI.
REPAIRS AND MAINTENANCE

Section 6.1 Repairs by Landlord. Within a reasonable period of time after receipt of written notice from Tenant, Landlord shall make necessary structural repairs to the exterior walls (excluding windows, doors, plate glass, store fronts and signs); necessary repairs to the roof, foundations and load bearing items; plumbing, pipes and conduits located outside the Premises and/or in the common areas; and necessary repairs to sidewalks, parking areas and curbs. Landlord shall not be required to make any repairs where same were made necessary by any act or omission or negligence of Tenant, any subtenant or concessionaire of Tenant, or their respective employees, agents, invitees, licensees, visitors or contractors, or by fire or other casualty or condemnation.

Section 6.2 Repairs and Maintenance by Tenant. Tenant shall make and pay for all repairs to the Premises and all equipment and systems serving the Premises and shall replace all things which are necessary to keep the same in a good state of repair and operating order, such as (but not limited to) all fixtures, furnishings, lighting and store signs of Tenant. Without limiting the generality of the foregoing, Tenant shall maintain, replace and keep in good repair and operating order all air-conditioning, ventilating, plumbing, heating and electrical installations, ceilings, inside walls and carpeting and floor surfaces serving the Premises and all exterior entrances, glass and show-windows, partitions, doors, floor surfaces, fixtures, equipment and appurtenances thereof in good order, condition and repair, and in a reasonably satisfactory condition of cleanliness, including reasonably periodic painting of the Premises, and Tenant shall make such other necessary repairs in and to the Premises not specified above as being the responsibility of Landlord.

If (i) Tenant does not effect the foregoing repairs properly as required hereunder and to the reasonable satisfaction of Landlord, or (ii) Landlord, in the exercise of its sole discretion, determines that emergency repairs are necessary, or (iii) repairs or replacements to the Shopping Center and/or common areas or to the Premises are made necessary by any act or omission or negligence of Tenant, its agents, employees, subtenants, assignees, concessionaires, contractors, invitees, licensees or visitors, then in any of such events, Landlord may make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures or other property or to Tenant's business by reason thereof, and upon completion thereof, Tenant shall pay Landlord's costs for making such repairs, plus twenty percent (20%) for overhead, upon presentation of a bill therefor. Said bill shall include, among other thing, interest at 18% per annum from the date such repairs were billed by the contractor(s) making such repairs.

Section 6.3 Inspection. Landlord and its representatives shall have the right to enter the Premises at any time during normal business hours (and during other hours if an emergency situation should exist, as determined by Landlord), and from time to time (with or without giving notice), during the Term, for the purpose of conducting inspections therein.

VII.
ADDITIONS AND ALTERATIONS

Section 7.1 Additions and Alterations. Tenant shall make no changes, alterations or improvements without Landlord's prior written consent. After receipt of such consent, but prior to commencement of any such work, Tenant shall obtain Landlord's prior written approval of the plans and specifications therefor and shall cause Landlord's bonding, insurance and contractor requirements to be satisfied. Any work done by Tenant under the provisions of this Section shall not interfere with the use by the other tenants of their premises in the Shopping Center. The interest of Landlord shall not be subject to liens for improvements to the Premises made by or on behalf of or at the direction of Tenant.

VIII.
DAMAGE, DESTRUCTION OR CONDEMNATION OF THE PREMISES

Section 8.1 Damage or Destruction.

(a) If all or any part of the Premises shall be damaged or destroyed by fire or other casualty insured under the standard fire insurance policy with approved standard extended coverage endorsement applicable to the Premises, Landlord shall, except as otherwise provided herein, repair and/or rebuild the same with reasonable diligence, but Landlord's obligation hereunder shall be limited to the restoration of the Premises to their condition as of the date of destruction, reasonable wear and tear excepted. Nothing hereinabove contained shall impose upon Landlord any liability or responsibility to repair, rebuild or replace any property belonging to Tenant. Even if the Premises shall become completely untenable as a result of such damage or destruction, the Rent and other sums payable hereunder shall not abate (it being intended that Tenant obtain rent and/or business interruption insurance to cover such risk). Unless this Lease is terminated by Landlord, as hereinafter provided, Tenant shall repair, redecorate and refixture the Premises and restock the contents thereof in a manner and to at least a condition equal to that existing prior to its destruction or casualty, and the proceeds of all insurance carried by Tenant on its personal property, decorations, trade fixtures, furnishings, equipment and contents in the Premises shall be held in trust for such purpose.

(b) Notwithstanding anything else to the contrary in this Section or elsewhere in this Lease, Landlord, at its sole option, may terminate this Lease on thirty (30) days written notice to Tenant given at any time after the occurrence of any of the following:

1. The Premises and/or the Shopping Center shall be damaged or destroyed as a result of an occurrence which is not covered by Landlord's insurance and/or sufficient proceeds are not made available to Landlord to cause reconstruction in full; or
2. The Premises and/or the Shopping Center shall be damaged or destroyed and the cost to repair the same shall amount to more than twenty-five (25%) percent of the cost of replacement thereof; or
3. The Shopping Center or common areas of the Shopping Center are damaged (whether or not the Premises are damaged) to such an extent that, in the judgment of Landlord, the Shopping Center cannot be operated as an economically viable unit.

(c) Except to the extent specifically provided for in this Lease, none of the Rent and other sums payable by Tenant, nor any of Tenant's other obligations under any provisions of this Lease, shall be affected by any damage to or destruction of the Premises by any cause whatsoever and Tenant hereby specifically waives all other rights it might otherwise have at law and in equity which are inconsistent herewith.

(d) The term "cost of replacement" as used above shall be determined by the company or companies insuring Landlord against the casualty in question, or if there shall be no insurance, then by Landlord's architect.

(e) Tenant shall give to Landlord prompt written notice of any damage to or destruction of any portion of the Premises resulting from fire or other casualty.

Section 8.2 Condemnation. If the entire Premises shall be appropriated or taken under the power of eminent domain by any public or quasi-public authority, or conveyance shall be made in lieu thereof, this Lease shall terminate and expire as of the date of such taking, and the parties shall thereupon be released from all liability hereunder which accrues after the date of such taking.

In the event a portion of the Premises is appropriated or taken, the Premises shall be deemed reduced by the portion of space appropriated or taken, effective as of the date title thereto vests in the applicable authority, and, as of such date, the Rent payable hereunder shall be proportionately reduced. If requested by Landlord, Tenant shall execute such document(s) as Landlord may prepare to confirm the foregoing reductions in the Premises and the Rent.

All compensation awarded or paid upon such a total or partial taking of the Premises shall belong to and be the property of Landlord without any participation whatsoever by Tenant. Tenant shall take no acts which will in any way diminish Landlord's recovery. Tenant shall have the right, however, to pursue and independent action for business interruption damages as long as same shall not diminish or adversely affect Landlord's claims, in Landlord's sole judgment.

IX. SUBORDINATION

Section 9.1 Subordination. Landlord and Tenant agree that this Lease, automatically and without the necessity of any further documentation, is and shall be subject and subordinate at all times to all mortgages (in any amounts and all advances thereon) which may now or hereafter affect the real property of which the Premises form a part, and to all renewals, modifications, consolidations, participations, replacements and extensions thereof. Tenant agrees to attorn to any mortgagee who shall succeed to Landlord's interest in this Lease upon request of such mortgagee. In confirmation of the foregoing, Tenant shall promptly upon request therefor by Landlord, and without charge therefor, execute such certifications and/or other documents as Landlord may require.

X. DEFAULT

Section 10.1 Default. Tenant shall be in default hereunder if (a) Tenant fails to pay within five (5) days of when due, any Rent and any other sums due under this Lease or any other sums required to be paid by Tenant under this Lease; or (b) Tenant fails to observe and perform any of the other terms, covenants and conditions of this Lease and such default shall continue for more than fifteen (15) days after written notice from Landlord to Tenant. Landlord shall have all remedies available to Landlord at law and in equity in the event of Tenant's default under this Lease, which remedies are cumulative and not mutually exclusive, including, but not limited to, the right of acceleration.

In the event of such default, Landlord may recover from Tenant damages computed in accordance with the following formula, in addition to its other remedies: (a) any unpaid Rent and other sums due under this Lease which have been earned at the time of such default or termination; plus (b) the unpaid Rent and other sums due under this Lease for the balance of the Term after the time of default, with increases in Rent and being computed by an inflation factor equal to four percent (4%) compounded annually; plus (c) any other amount necessary to compensate Landlord for all the detriment approximately caused by Tenant's failure to perform its obligation under this Lease or which in the ordinary course of things would be likely to result therefrom, including, without limitation, the cost of repairing the Leased Premises, brokerage fees, and attorneys' fees and costs; plus (d) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by the laws of the State of Florida; plus (e) interest thereon at eighteen percent (18%) per annum.

If at any time during the Term there shall be filed by or against Tenant or any successor tenant then in possession or any guarantor of either under this Lease, in any court pursuant to any statute either of the United States or of any state, a petition (i) in bankruptcy, (ii) alleging insolvency, (iii) for reorganization, (iv) for the appointment of a receiver, (v) for an arrangement under any federal or state bankruptcy code, or (vi) for any similar creditor's rights, Tenant shall be in immediate default hereunder without the necessity of any notice being given, and thereupon Tenant shall immediately quit and surrender the Premises to Landlord, but Tenant shall continue to be liable for the payment of rent and all other sums due hereunder. The duly-appointed trustee in bankruptcy of the debtor (the "Trustee") may assume this Lease only after he undertakes the following: (a) cures any default, or provides adequate assurance that he will promptly cure such default; (b) compensates or provides adequate assurance that he will promptly compensate Landlord for any actual pecuniary loss resulting from such default; and (c) provides adequate assurance of future performance. Adequate assurance of future performance includes, but is not limited to, adequate assurance (1) of the source of rent and other considerations due under the Lease; (2) that assumption or assignment of the Lease will not breach any provisions, including, but not limited to, use or exclusivity provisions in any other lease, financing agreement, or master agreement relating to the Shopping Center of which the Premises are a part. To assign the Lease, the Trustee must first assume the Lease in accordance with the bankruptcy code and provide adequate assurance of future performance by the assignee, and must not be in default of any of the terms hereunder.

The failure of Landlord to insist upon a strict performance of any of the terms, conditions and covenants herein shall not be deemed to be a waiver of any rights or remedies that Landlord may have and shall not be deemed a waiver of any subsequent breach or default in the terms, conditions and covenants herein contained except as may be expressly waived in writing.

The maintenance of any action or proceeding to recover possession of the Premises, or any installment or installments of rent or any other moneys that may be due or become due from Tenant to Landlord, shall not preclude Landlord from thereafter instituting and maintaining subsequent actions or proceedings for the recovery of possession of the Premises or of any other moneys that may be due or become due from Tenant. Any entry, re-entry or termination by Landlord shall not be deemed to absolve or discharge Tenant from liability hereunder.

Section 10.2 Landlord's Default; Inability to Perform. In the event Landlord shall be in default hereunder in any respect, such default shall not give rise to any rights or remedies in Tenant unless and until such default shall continue for more than sixty (60) days after Landlord's actual receipt of written notice thereof from Tenant (or, as to defaults not susceptible of being cured within such 60-day period, Landlord fails to commence the cure thereof within such period and thereafter diligently prosecute the same to completion). Further, if Landlord is delayed or prevented from performing any of its obligations under this Lease by reason of strike or labor troubles or any cause whatsoever beyond Landlord's control, the period of such delay or such prevention shall be deemed added to the time herein provided for the performance of any such obligation by Landlord.

Section 10.3 Attorney's Fees and Costs. In the event of any arbitration or litigation between the parties under this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs, in the arbitration and at both trial and appellate levels.

XI.
OTHER PROVISIONS

Section 11.1 Definition and Liability of Landlord. The term "Landlord" as used in this Lease means only the owner or mortgagee in possession for the time being of the Shopping Center (or the managing agent of any such owner or mortgagee) so that in the event of the sale of the Shopping Center or an assignment of this Lease, or a demise of the Shopping Center, Landlord shall be and hereby is entirely freed and relieved of all obligations of Landlord subsequently accruing.

It is specifically understood and agreed that Landlord shall have no personal liability in respect to any of the covenants, conditions or provisions of this Lease. In the event of a breach or default by Landlord of any of its obligations under this Lease or if Landlord shall otherwise be liable to Tenant for any reason whatsoever, Tenant shall look solely to the interest of Landlord in the Premises for the satisfaction of Tenant's remedies.

Section 11.2 Security Deposit. Tenant has deposited with Landlord as security for the performance by Tenant of the terms of this Lease the sum hereinabove set forth. Such sum shall be held by Landlord free of trust, and may be co-mingled with other (including Landlord's own) funds, and Tenant shall not be entitled to receive the interest earned thereon, if any. Landlord may use or apply on Tenant's behalf or retain (without liability for interest) during the Term the whole or any part of the security so deposited to the extent required for the payment of any rent or other sums as to which Tenant may be in default hereunder or for any sums which Landlord may expend by reason of Tenant's default in respect of any of the terms of this Lease, including but not limited to any deficiency or damage incurred in reletting the Premises. Provided Tenant shall comply with all the terms of this Lease, such security shall be returned to Tenant upon termination of this Lease and after surrender of possession of the Premises to Landlord. In the event of a sale of the Shopping Center or assignment of this Lease by Landlord, Landlord shall have the right to transfer the security to its vendee or assignee, subject to Tenant's aforesaid rights upon termination, and thereupon Landlord shall be released from any liability with respect to the return of such security to Tenant, such vendee or assignee to be solely responsible to Tenant therefor. Tenant shall not assign or encumber its interest in the security deposit, and neither Landlord nor its successors and assigns shall be bound by any attempted assignment or encumbrance thereof.

Section 11.3 Indemnity. Tenant agrees to indemnify and save Landlord harmless from and against any and all claims and demands for, or in connection with, any accident, injury or damage whatsoever caused to any person or property arising directly or indirectly, out of the business conducted in or the use and/or occupancy of the Premises or any part thereof, or arising directly or indirectly, from any act or omission of Tenant or any concessionaire or sub-tenant or their respective licensees, servants, agents, employees, contractors, invitees or licensees, and from and against any and all cost, expense and liabilities incurred in connection with any such claims and/or proceedings brought thereon. The comprehensive general liability coverage maintained by Tenant pursuant to this Lease shall specifically insure the contractual obligations of Tenant as set forth in this Section and/or as provided in this Lease.

Section 11.4 Property in Premises. All leasehold improvements, such as light fixtures and heating and air-conditioning equipment, are and shall remain the property of Landlord. All store fixtures or trade fixtures, signs, drapes and other items of property located within the Premises shall be subject at all times to Landlord's lien for rent and other sums which may become due to Landlord under this Lease.

Tenant shall pay before delinquency all taxes assessed against Tenant's fixtures, furnishings, leasehold, improvements, equipment and stock-in-trade placed in or on the Premises. Any such taxes paid by Landlord shall be due and payable from Tenant to Landlord within ten (10) days after billings therefor are rendered to Tenant.

Section 11.5 Damage to Property or Persons. All Tenant's personal property of every kind of description which may at any time be in the Premises shall be at Tenant's sole risk, or at the risk of those claiming under Tenant, and Landlord shall not be liable for any damage to said property or loss suffered by the business or occupation of Tenant caused in any manner whatsoever, including theft. Landlord shall not be liable for any injury or damage to persons or property or to the interior of the Premises or from the pipes, appliances, or plumbing works or from the roof, walls, glass frames, doors, street or subsurface or from any other place or by dampness or by any other cause of whatsoever nature. Landlord shall not be liable for any such injury or damage caused by other tenants or any person(s) either in the Premises or elsewhere in the Shopping Center, or by occupants of property adjacent to the Shopping Center, or by the public, or by operations in the construction of any private, public or quasi-public work. Landlord shall not be liable for any latent defect in construction. Landlord shall not be responsible for damage or loss of property of Tenant kept or stored on the Premises no matter how caused.

Section 11.6 Assignment or Subletting. Tenant shall make no assignment or subletting, nor shall Tenant enter into license or concession agreements or mortgage or hypothecate this Lease or Tenant's interest in and to the Premises or any part thereof or permit any other party to conduct business or manage the Premises or control the operation thereof (hereinafter collectively referred to as "Transfer"), without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Consent by Landlord to any Transfer shall not constitute a waiver of the necessity for such consent to any subsequent Transfer. Any Transfer by Tenant in accordance with this Section shall be only for the purposes and use hereinabove specified and for no other purpose, and in no event shall any Transfer release for relieve Tenant from any obligations under this Lease. Any permitted transferee shall assume Tenant's obligations hereunder and shall deliver to Landlord an assumption agreement in form satisfactory to Landlord within ten (10) days after the effective date of the assignment. Tenant agrees to pay Landlord's attorney's fees incurred in connection with the review and/or preparation of any documents in connection with any Transfer, and in the event of a Transfer for rentals in excess of those rentals reserved hereunder, Tenant shall pay all of such excess rent to Landlord.

If the Tenant is a corporation, partnership or other business entity, any change in the ownership (legal or equitable) of and/or (in the case of a corporation) in the power to vote fifty (50%) percent or more of the outstanding capital stock of Tenant, whether such change of ownership is by sale, assignment, operation of law or otherwise, shall be deemed a Transfer and shall be subject to the provisions of this Section.

Any attempted Transfer without Landlord's consent shall not be binding upon Landlord, shall confer no rights upon any third person.

Section 11.7 Surrender of Premises and Holding Over. At the expiration of the tenancy hereby created, Tenant shall surrender the Premises in good, broom-clean condition, reasonable wear and tear excepted, and Tenant shall surrender all keys for the Premises to Landlord at the place then fixed for the payment of rent and shall inform Landlord of all combinations on locks, safes and vaults, if any, in the Premises. Tenant's obligation to observe and perform this covenant shall survive the expiration or other termination of the Lease. If Tenant shall default in so surrendering the Premises, Tenant's occupancy subsequent to such expiration, whether or not with the consent or acquiescence of Landlord, shall be deemed to be that of a tenancy at will and in no event from month to month or from year to year, and it shall be subject to all the terms, covenants and conditions of this Lease applicable thereto, except that Rent and other charges payable by Tenant hereunder shall be twice the amount payable in the last year of the Term, and no extension or renewal of this Lease shall be deemed to have occurred by such holding over.

Prior to the expiration or sooner termination of this Lease, Tenant shall remove any and all trade fixtures, equipment and other items which Tenant may have installed, stored or left in the Premises or elsewhere in the Shopping Center, including, but not limited to, counters, shelving, showcases, chairs and movable machinery purchased or provided by Tenant and which are susceptible of being moved without damage to the building. Tenant shall repair any damage to the Premises caused by its removal of such fixtures and movables. In the event Tenant does not make such repairs, Tenant shall be liable for and agrees to pay Landlord's costs and expenses in making such repairs, together with a sum equal to twenty (20%) percent of such costs and expenses to cover Landlord's overhead in making such repairs for Tenant. Tenant shall not remove any plumbing or electrical fixtures or equipment, heating or air-conditioning equipment, floor coverings (including, but not limited to, wall to wall carpeting), walls or ceilings, all of which shall be deemed to constitute a part of the freehold and/or leasehold interest of Landlord, as set forth above, nor shall Tenant remove any fixtures or machinery that were furnished or paid for by Landlord (whether initially installed or replaced). If Tenant shall fail to remove its trade fixtures or other property as provided in this Section, such fixtures and other property not removed by Tenant shall be deemed abandoned by Tenant and at the option of Landlord shall become the property of Landlord, or at Landlord's option may be removed by Landlord at Tenant's expense plus twenty (20%) percent as hereinabove provided, or placed in storage at Tenant's expense, or sold or otherwise disposed of, in which event the proceeds of such sale or other disposition shall belong to Landlord. The foregoing and all other obligations of Tenant hereunder shall survive the expiration or earlier termination of this Lease.

Section 11.8 INTENTIONALLY OMITTED.

Section 11.9 Liens. The interest of Landlord shall not be subject to liens for improvements made by or on behalf of at the direction of Tenant. Tenant shall discharge any lien filed against the Shopping Center, and any part thereof, for work done or materials furnished with respect to the Premises by Tenant or at Tenant's request within ten (10) days after such lien is filed. If Tenant fails to keep this covenant, in addition to any other remedies available to Landlord under this Lease or otherwise, Landlord may at its option discharge such lien, in which event Tenant agrees to pay Landlord a sum equal to the amount of the lien thus discharged plus Landlord's internal administrative costs, reasonable attorney's fees, expenses and damages thereby caused Landlord.

Section 11.10 Hazardous Materials and Environmental Laws; Indemnity. Without in any way limiting the generality of any of the other provisions of the Lease relating in any way to the following subject matter, it is hereby further agreed as follows:

Tenant represents and warrants to Landlord that Tenant has undertaken an appropriate inquiry into the existing condition of the Premises consistent with good commercial or customary practice in an effort to minimize liability with respect to substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "toxic substances", "contaminants", or other pollution under applicable federal, state, commonwealth, county, municipal, or local laws, ordinances, codes, rules, regulations or orders now or hereafter in effect (collectively referred to herein as "Hazardous Materials"). To the best of Tenant's knowledge and except as otherwise disclosed to Landlord in writing, Tenant represents and warrants that the Premises are presently free from contamination by Hazardous Materials and that the Premises and the activities to be conducted thereon do not pose any hazard to human health or the environment or violate any applicable current federal, commonwealth, state, county, municipal, or local laws, ordinances, rules, codes, regulations, or orders pertaining to Hazardous Materials or industrial hygiene or environmental conditions (collectively referred to herein as "Environmental Laws"). Tenant shall not cause or permit the Premises to be used for the generation, handling, storage, transportation, disposal or release of any Hazardous Materials except as specifically exempted or permitted under applicable Environmental Laws (Tenant being solely responsible at its sole cost and expense to conform to any and all future changes in Environmental Laws, whether foreseen or unforeseen, and to take all direct, indirect, incidental and consequential actions required by any and all such future changes), and Tenant shall not cause or permit the Premises or any activities conducted thereon to be in violation of any current and/or future applicable Environmental Laws. Tenant agrees to indemnify, defend and hold Landlord (and Landlord's partners, principals, affiliates, directors, officers, employees, mortgagees, ground lessors, heirs, successors and assigns, as applicable) harmless from and against any and all claims, losses, damages (including all foreseeable and unforeseeable consequential and incidental damages), liabilities, fines, penalties, charges, interest, administrative or judicial proceedings and orders, judgments, remedial action, requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, without limitation, attorneys' fees and expenses at both trial and appellate levels), directly or indirectly resulting in whole or in part from the violation of any Environmental Laws applicable to the Premises or any activity conducted thereon, and from any use, generation, handling, storage, transportation, disposal or release of Hazardous Materials at or in connection with the Premises and Tenant's use thereof, or any contamination, detoxification, closure, cleanup or other remedial measure required under any Environmental Laws. All sums paid and costs incurred by Landlord with respect to the foregoing matters shall be payable by Tenant as additional rent hereunder. This indemnity shall survive the full payment of all rents and other charges under this Lease and the expiration or earlier termination of this Lease, and shall inure to the benefit of Landlord and Landlord's heirs, personal representatives, successors and assigns. To the extent available, Tenant shall carry and maintain at all times, in insurance companies approved by Landlord, environmental impact (or similar) insurances, naming Landlord, Landlord's mortgagees and Landlord's ground lessors, if any, as additional insureds.

Section 11.11 Radon. Radon is a naturally occurring radioactive gas that, when it has accumulated in the building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon which exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county or public health unit.

Section 11.12 Interest: Administrative Claims. All sums of any kinds and character not paid by Tenant on their due date shall bear interest at 18% per annum.

Unless otherwise provided specifically to the contrary herein, if Landlord advances any funds to cure any default by Tenant or performs any obligation on behalf of Tenant which requires an expenditure, Tenant shall be obligated to reimburse Landlord, immediately upon demand therefor, for all such advances and expenditures, together with an administrative/overhead charge equal to 20% of the amount thereof, plus interest thereon at 18% per annum from the date such funds are advanced or such expenditure is made.

Section 11.13 Late Payments. Should Tenant fail to pay within 5 days of when due any installment of Rent or any other sum payable to Landlord under the terms of this Lease, then, at Landlord's option, a charge equal to five percent (5%) of the amount due shall be imposed to compensate Landlord for its administrative costs in dealing with such late payments.

Section 11.14 Consents. Unless otherwise expressly provided herein, any consent or approval of Landlord may be granted or withheld by Landlord in Landlord's reasonable discretion.

Section 11.15 Waiver by Tenant. Tenant hereby expressly waives any and all rights of redemption conferred by statute or otherwise, and, with respect to any litigation arising out of this Lease, and to the extent permitted by law, Tenant waives the right to a trial by jury.

Section 11.16 Notices. Whenever notice shall or may be given to either of the parties by the other, each such notice shall be by registered or certified mail with return receipt requested, at the respective addresses of the parties as contained herein or to such other address as either party may from time to time designate in writing to the other, or, if to Tenant, such notice may also be mailed in the manner described above or delivered by hand at the Premises. Any notice under this Lease delivered by mail shall be deemed to have been given three (3) days after it is placed in the mails with sufficient postage prepaid.

Section 11.17 Broker. The parties each represent and warrant to the other that no real estate brokers, salesmen or finders are involved in this transaction except for the Broker listed in Section 1.1(H) hereof, to whom Landlord shall pay all commissions. In the event a claim for brokerage in connection with this transaction is made by any broker, salesman or finder, other than the Broker listed in Section 1.1(H) hereof, claiming to have dealt through or on behalf of one of the parties hereto (the "Indemnitor"), said Indemnitor shall indemnify, defend and hold the other party hereunder harmless from all liabilities, damages, claims, costs, fees and expenses whatsoever (including reasonable attorneys' fees and court costs) with respect to such claim for brokerage.

Section 11.18 No Recording. Tenant agrees not to record this Lease without the express written consent of Landlord.

Section 11.19 Entire and Binding Agreement; Survival. This Lease contains all of the agreements between the parties hereto, supersedes all prior and/or contemporaneous agreements and understandings and it may not be modified in any manner other than by an agreement in writing signed by all the parties hereto or their successors in interest. The terms, covenants, and conditions contained herein shall inure to the benefit of and be binding upon Landlord and Tenant and their respective heirs, personal representatives, successors and assigns, except as may be otherwise expressly provided in this Lease. Tenant acknowledges that neither Landlord nor any broker has made any representations to or agreements with Tenant which are not contained in this Lease.

All obligations of Tenant which are or may be intended by their nature to be performed and/or complied with after the expiration or earlier termination of this Lease shall survive such expiration or termination.

Section 11.20 Provisions Severable. If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be determined by appropriate judicial authority to be illegal, invalid or unenforceable, the same shall be struck from this Lease as if never included herein; but the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held illegal, invalid or unenforceable, shall not be affected thereby and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

Section 11.21 Captions. The captions contained herein are for convenience and reference only and shall not be deemed as part of this Lease or construed as in any manner limiting or amplifying the terms and provisions of this Lease to which they relate.

Section 11.22 Governing Law; Negotiated Agreement. This Lease shall be construed and governed in accordance with the laws of the State of Florida. All of the parties to this Lease have participated fully in the negotiation and preparation hereof; and, accordingly, this Lease shall not be more strictly construed against any one of the parties hereto.

Section 11.23 Electronic Signature. Signature and/or delivery of this Lease by fax, email or other electronic method shall be binding on the parties hereto as if the same were signed and delivered by the parties with original signatures.

Landlord and Tenant have duly executed this Lease as of the day and year first above written, each acknowledging receipt of an executed copy thereof.

Witnesses as to Landlord Only:

/s/ Robert Susi

Robert Susi

LANDLORD:

1014 PEPPER, INC., a Florida corporation

By: /s/ Samuel Susi

Samuel Susi, President

TENANT:

FLEXSHOPPER, LLC

By: Flexshopper Inc., Manager/Member

By: /s/ H. Russell Heiser

H. Russell Heiser, Chief Financial Officer

EXHIBIT A

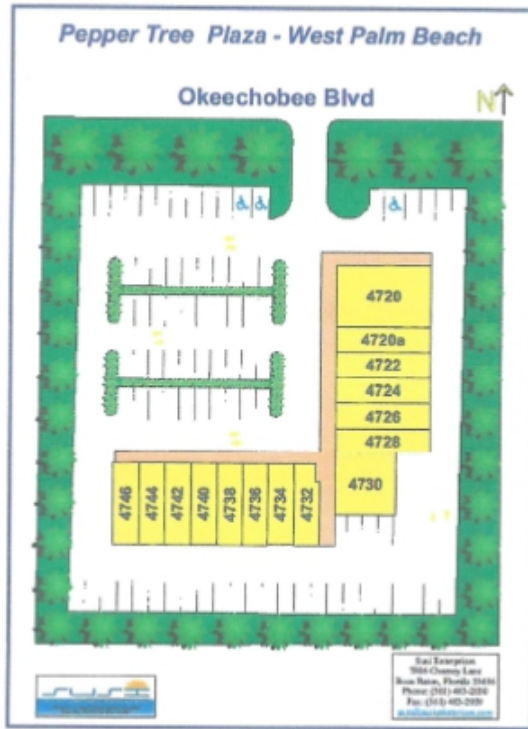


EXHIBIT B

RULES AND REGULATIONS

1.1.1 All deliveries to or from the Premises shall be done only at such times, in the areas and through the entrances designated for such purposes by Landlord.

1.1.2 Merchandise shall not be displayed outside the Premises and the sidewalks and loading areas adjacent to the Premises, and the Premises and all such areas shall not be obstructed and shall be free from trash and any other obstructions. Tenant shall use any trash dumpster Landlord provides for the general use of Tenant or tenants in a designated area of the Shopping Center. All trash shall be deposited inside the dumpster.

1.1.3 No radio or television aerial or other device shall be erected on the roof or exterior walls of the Premises or the Shopping Center, and no roof, wall or other penetrations of any kind shall be made by, under the direction or with the actual or assumed knowledge of Tenant.

1.1.4 No loud speakers, televisions, phonographs, radios, tape players or other devices shall be used in a manner so as to be heard or seen outside the Premises, nor shall Tenant solicit business or distribute advertising or promotional material in the common areas.

1.1.5 The plumbing facilities shall not be used for any purpose other than that for which they are constructed; no foreign substance of any kind shall be thrown therein, and the expense of any breakage, stoppage, or damage resulting from a violation of this provision shall be borne by Tenant. All grease traps (and all plumbing lines leading from such grease traps into the main sewer lines of the Shopping Center), if any, shall be installed, regularly cleaned and maintained by Tenant in accordance with applicable law and in accordance with Landlord's requirements.

1.1.6 Tenant, at its expense, shall contract for termite and pest extermination services covering the Premises.

1.1.7 Tenant shall keep any display windows or signs in or on the Premises well lighted during such hours and days that the Shopping Center is lighted by Landlord, or as otherwise may be designated by Landlord.

1.1.8 Tenant shall keep and maintain the Premises (including, without limitation, exterior and interior portions of all windows, doors and all other glass) in a neat and clean condition.

1.1.9 Tenant shall take no action which would interfere with the business of Landlord or any other tenant or occupant in the Shopping Center or with the rights and privileges of any customer or other person(s) lawfully in and upon the Shopping Center.

1.1.10 Tenant shall pay before delinquency all license or permit fees and charges of a similar nature for the conduct of its business in the Premises.

1.1.11 Tenant shall not conduct or permit any fire, bankruptcy, auction or "going out of business" sale (whether real or fictitious) in the Premises, or utilize any unethical method of business operation.

1.1.12 Tenant shall not perform any act or carry on any practice which may damage, mar or deface the Premises or any other part of the Shopping Center.

1.1.13 Tenant shall not place a load on any floor in the Premises, or in any area of the Shopping Center, exceeding the floor load which such floor was designed to carry, nor shall Tenant install, operate or maintain therein any heavy item or equipment except in such manner as to achieve a proper distribution of weight.

1.1.14 Tenant shall not install, operate or maintain in the Premises or in any other area of the Shopping Center any electrical equipment which does not bear Underwriter's Laboratory approval, or which would overload the electrical system or any part thereof beyond its capacity for proper and safe operation. No machine tow motor or gas or propane operated equipment shall be permitted.

1.1.15 Tenant shall not suffer, allow or permit any vibration, noise, light, odor or other effect to emanate from the Premises, or from any machine or other installation therein, or otherwise suffer, allow or permit the same to constitute a nuisance or otherwise interfere with the safety, comfort or convenience of Landlord or any of the other occupants of the Shopping Center or their customers, agents or invitees or any others lawfully in or upon the Shopping Center. Upon notice by Landlord to Tenant that any of the aforesaid is occurring, Tenant agrees to forthwith remove or control the same.

1.1.16 Tenant shall not use or occupy the Premises in any manner or for any purpose which would injure the reputation or impair the present or future value of the Premises, the Shopping Center and/or the neighborhood in which the Shopping Center is located.

1.1.17 Tenant shall not store, display, sell, or distribute any alcoholic beverages or any dangerous materials (including, without limitation, fireworks) unless specifically permitted by this Lease.

1.1.18 Tenant shall not use or occupy the Premises or do or permit anything to be done thereon in any manner which shall prevent Landlord and/or Tenant from obtaining at standard rates any insurance required or desired, or which would invalidate or increase the cost to Landlord of any existing insurance, or which might cause structural injury to the building, or which would constitute a public or private nuisance or which would violate any present or future laws, regulations, ordinances or requirements (ordinary or extraordinary, foreseen or unforeseen) of the federal, state county or municipal governments, or of any departments, subdivisions, bureaus or offices thereof, or of any other governmental, public or quasi-public authorities now existing or hereafter created having jurisdiction over the Premises or the Shopping Center.

1.1.19 Unless specifically permitted under the Lease, Tenant shall not operate on the Premises or in any part of the Shopping Center any coin or token operated vending machine or similar device (including, without limitation, pay telephones, pay lockers, pay toilets, scales, amusement devices and machines for sale of beverages, foods, candy, cigarettes or other merchandise and/or commodities).

1.1.20 Tenant shall not modify, alter, improve, obstruct, or otherwise utilize for any purpose the common areas of the Shopping Center for any purpose whatsoever (including, but not limited to, the sale or display of Tenant's merchandise, or the placing of signs or exhibits of any kind), provided that such portions may be used by Tenant, its employees and customers, if reasonably necessary for purposes of access and egress to and from the enclosed portions of the Premises.

January __, 2018

FlexShopper, LLC
2700 N. Military Trail, Suite 200
Boca Raton, Florida 33431

Ladies and Gentlemen:

The purpose of this letter is to advise FlexShopper, LLC, a North Carolina limited liability company ("Borrower"), that Lender hereby commits to provide to Borrower \$_____ of subordinated debt financing on the terms set forth in the form of promissory note attached hereto as Exhibit A (the "Subordinated Promissory Note") and on the terms set forth herein. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Subordinated Promissory Note.

Commitment. Lender's commitment is subject only to the following conditions:

- (1) On or before _____, 2018, Borrower shall have paid to Lender a one-time commitment fee in an aggregate amount equal to \$_____ (representing 1% of Lender's aggregate commitment);
- (2) Lender's commitment shall be available during the period commencing on the date hereof and ending on July 31, 2018 (the "Commitment Period");
- (3) Lender's commitment may be drawn by Borrower in one or more advances (each, a "Subordinated Loan Advance") by delivery of not less than two (2) days' prior notice to Lender, which notice shall specify the amount of the Subordinated Loan Advance being requested and the proposed date therefor;
- (4) On or prior to the initial Subordinated Loan Advance, Borrower shall have duly executed delivered to Lender a Subordinated Promissory Note;
- (5) Each Subordinated Loan Advance shall be in a minimum amount of \$500,000 (or, if less, the entire remaining available commitment); and
- (6) Borrower shall provide to Lender copies of the monthly covenant reporting package delivered to, and notices of default received from, the lender under Senior Credit Agreement.

Notwithstanding anything to the contrary contained in any Subordinated Promissory Note, (a) Lender shall be obligated to make Subordinated Loan Advances to Borrower in an aggregate amount equal to \$_____ (which shall represent the Maximum Amount under (and as defined in) the Subordinated Promissory Note) subject only to satisfaction of the conditions set forth in this letter agreement and (b) repayment of Subordinated Loan Advances shall not be demanded by Lender during the Commitment Period; provided, however, interest at the default rate set forth in the Subordinated Promissory Note shall accrue on all Subordinated Loan Advances at such times as interest at the Default Interest Rate (as defined in the Senior Credit Agreement) is accruing on the Senior Debt, it being agreed and understood that if interest at the default rate is accruing on Subordinated Loan Advances pursuant to this proviso, no additional default interest shall accrue pursuant to Section 8 of the Subordinated Promissory Note.

Representations. Lender hereby represents and warrants that the following are true and correct: (a) Lender is not acquiring the Subordinated Promissory Note (or making any Subordinated Loan Advance) with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act of 1933, as amended, and (b) Lender (i) is an “accredited investor” as defined in Rule 501 promulgated under the Securities Exchange Act of 1934, as amended, and (ii) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment in the Subordinated Promissory Note. Further, Lender is familiar with the business and affairs of Borrower and its subsidiaries and has conducted such due diligence as it has deemed necessary and desirable in making its investment decision.

Miscellaneous.

Each party shall be responsible for its own fees and expenses, including, without limitation, legal fees, incurred by it in connection with the Subordinated Promissory Note and the Subordinated Loan Advances.

This letter agreement shall not be assignable by any party hereto without the prior written consent of the other party hereto (and any purported assignment without such consent shall be null and void), and is solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto. This letter agreement may not be amended or waived except in a written instrument signed by Borrower and Lender. The provisions of this letter agreement shall remain in full force and effect following the making of all Subordinated Loan Advances. In the event of any conflict between the terms and provisions of this letter agreement and the terms and provisions of the Subordinated Promissory Note, the terms and provisions of this letter agreement shall govern and control.

This letter agreement may be executed in counterparts, each of which shall be deemed an original and all of which counterparts shall constitute one and the same document. Delivery of an executed signature page of this letter agreement by facsimile or electronic (including “PDF”) transmission shall be effective as delivery of a manually executed counterpart hereof.

This letter agreement, and all matters relating hereto or thereto or arising therefrom (whether sounding in contract law, tort law or otherwise), shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of North Carolina, without regard to conflicts of laws principles.

Lender shall hold all non-public information regarding Borrower, its affiliates and their businesses obtained by Lender confidential and shall not disclose such information; provided, however, the foregoing shall not be construed to prohibit the disclosure of any information that is or becomes publicly known or information obtained by Lender from sources other than Borrower other than as a result of a disclosure by the Lender known (or that should have reasonably been known) to be in violation of this provision.

We are pleased to have been given the opportunity to assist you.

Sincerely,

By: _____
Name: _____
Title: _____

Acknowledged and Agreed:

FLEXSHOPPER, LLC

By: _____
Name: _____
Title: _____

EXHIBIT A

FORM OF SUBORDINATED PROMISSORY NOTE

\$ _____

_____, ____

FOR VALUE RECEIVED, FlexShopper, LLC, a North Carolina limited liability company ("Borrower"), hereby promises to pay to _____, a _____ ("Lender"), on demand, the principal sum of up to _____ Dollars (\$ _____) (the "Maximum Amount"), or such lesser amount as shall have been advanced and remain outstanding hereunder, together with interest thereon, subject to the terms and conditions set forth in this Subordinated Promissory Note (this "Note").

1. Payment of Principal and Interest.

(a) Payments of principal and accrued interest on this Note shall be due and payable upon thirty (30) days prior written notice by Lender to Borrower.

(b) The unpaid principal balance of this Note shall bear interest at a rate equal to three percent (3.00%) per annum in excess of the non-default rate of interest from time to time in effect under that certain Credit Agreement dated as of March 6, 2015 among FlexShopper 2, LLC, as borrower, Wells Fargo Bank, National Association, as paying agent, WE 2014-1, LLC, as administrative agent (the "Administrative Agent"), and the lenders party thereto (as amended, restated, supplemented or otherwise modified from time to time, the "Senior Credit Agreement") computed on the basis of a 360 day year.

(c) The full remaining portion of all interest accruing on the unpaid principal balance of this Note but not paid in cash pursuant to Section 1(b) shall continue to accrue until the principal hereof and interest hereon shall have been paid in full.

(d) Borrower may prepay this Note in whole or in part at any time, without premium or penalty.

(e) All payments of principal and interest shall be made in lawful money of the United States of America and shall be made to Lender at Lender's address set forth in Section 13 or at such other place as Lender may designate to Borrower in writing.

(f) Upon Borrower's request, Lender may from time to time after the date hereof advance additional amounts to Borrower up to the Maximum Amount and subject to the other terms set forth herein. Lender shall make a notation on Schedule A hereto of each advance made by Lender and of each prepayment or repayment made by Borrower, which schedule shall be conclusive evidence of the principal amount then outstanding hereunder, absent manifest error, subject to the next sentence. In the event that the Lender fails to make a notation on Schedule A, then the amount showing as owing from Borrower to Lender on the books and records of the Lender shall be conclusive evidence of the principal amount then outstanding hereunder, absent manifest error.

The principal amount of this Note at any time shall be equal to the aggregate amount of all such loans and advances made to Borrower through such time (including advances to pay interest hereon), less the aggregate amount of all repayments of principal of this Note made by Borrower through such time.

2. Security. As collateral security for the payment and satisfaction of the unpaid principal balance of this Note and all interest accrued thereon, and subject to the rights of the Senior Creditors as described in Section 12, Borrower hereby grants to Lender a continuing, first-priority security interest in and to all of the Collateral. The Collateral means each and all of the following:

A. the Accounts;

B. the Equipment;

C. the Inventory;

D. the General Intangibles;

E. the Negotiable Collateral;

F. any money, deposit accounts or other assets of Borrower in which Lender receives a security interest or which hereafter come into the possession, custody or control of Lender;

G. all Supporting Obligations;

H. all Investment Property;

I. all Letter of Credit Rights; and

J. the proceeds of any of the foregoing, including, but not limited to, proceeds of insurance covering the Collateral, or any portion thereof, and any and all Accounts, Equipment, Inventory, General Intangibles, Negotiable Collateral, the Investment Property, the Letter of Credit Rights, the Supporting Obligations, money, deposit accounts or other tangible and intangible property resulting from the sale or other disposition of the Collateral, or any portion thereof or interest therein, and the proceeds thereof.

The capitalized terms used in the definition of the Collateral shall have the meanings ascribed to them under the Uniform Commercial Code as adopted in the State of North Carolina (the "UCC").

3. Representations and Warranties. Borrower hereby represents and warrants to Lender that:

(a) Borrower (i) is a limited liability company duly organized, validly existing and in good standing under the laws of the State of North Carolina, (ii) has all requisite limited liability company power and authority to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently, or is currently proposed to be, engaged, (iii) is duly qualified as a foreign entity, licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except to the extent that the failure to so qualify would not have a material adverse effect on Borrower, and (iv) has the limited liability company power and authority to execute, deliver and perform its obligations under this Note and to borrow hereunder;

(b) The execution, delivery and performance by Borrower of this Note (i) has been duly authorized by all necessary action, (ii) do not and will not contravene or violate the terms of its corporate constitutional documents or any amendment thereto or any law applicable to Borrower or its assets, business or properties, (iii) do not and will not (1) conflict with, contravene, result in any violation or breach of or default under any material contractual obligation of Borrower (with or without the giving of notice or the lapse of time or both), (2) create in any other person a right or claim of termination or amendment of any material contractual obligation of Borrower, or (3) require modification, acceleration or cancellation of any material contractual obligation of Borrower, and (iv) do not and will not result in the creation of any lien (or obligation to create a lien) against any property, asset or business of Borrower; and

(c) Borrower has duly executed and delivered this Note and this Note constitutes the legal, valid and binding obligations Borrower, enforceable against Borrower in accordance with the terms hereof, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and by general principles of equity.

4. Events of Default. The following shall constitute "Events of Default" with respect to this Note:

(a) Borrower shall fail to pay the principal of, or interest on, this Note when the same becomes due and payable in accordance with the terms hereof;

(b) Any representation or warranty made by Borrower in Section 3 hereof shall fail to be true and correct in all material respects or Borrower shall default in the performance of any of its obligations under Section 4 hereof; or

(c) Borrower makes a general assignment for the benefit of its creditors or applies to any tribunal for the appointment of a trustee or receiver of a substantial part of the assets of Borrower, or commences any proceedings relating to Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debts, dissolution or other liquidation law of any jurisdiction; or any such application is filed, or any such proceedings are commenced against Borrower and Borrower indicates its consent to such proceedings, or an order or decree is entered by a court of competent jurisdiction appointing such trustee or receiver, or adjudicating Borrower bankrupt or insolvent, or approving the petition in any such proceedings, and such order or decree remains unstayed and in effect for ninety (90) days.

5. Consequences of Event of Default. Upon the occurrence of any such Event of Default and during the continuation thereof, the unpaid principal balance of this Note and accrued and unpaid interest hereon shall become immediately due and payable upon such occurrence without action by Lender and Lender shall have all other rights and remedies provided by applicable law. Lender shall have all of the rights and remedies of a secured party under the UCC.

6. Remedies are Cumulative. No failure on the part of Lender to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Lender or any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any right, power or remedy. The remedies herein provided are cumulative and are not exclusive of any remedies provided by law, in equity, or in other loan documents.

7. Costs of Collection. In the event that this Note is not paid when due, Borrower shall also pay or reimburse Lender for all reasonable costs and expenses of collection, including, without limitation, reasonable attorneys' fees.

8. Default Interest Rate. Upon the occurrence of any Event of Default, any principal balance remaining unpaid under this Note shall bear interest at a rate per annum equal to two percent (2%) above the interest rate otherwise applicable hereto.

9. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of North Carolina without regard to the conflicts of law provisions thereof.

10. Waiver. Borrower waives presentment for payment, demand, protest, notice of dishonor, notice of protest, diligence on bringing suit against any party hereto, and all defenses on the ground of any extension of the time of payment that may be given by Lender to it. Borrower agrees not to assert against Lender as a defense (legal or equitable), as a set-off, as a counterclaim, or otherwise, any claims Borrower may have against any other party liable to Lender for all or any part of the obligations under this Note. All rights of Borrower hereunder, and all obligations of Borrower hereunder, shall be absolute and unconditional, not discharged or impaired irrespective of (and regard less of whether Borrower receives any notice of): (i) any lack of validity or enforceability of any provision of this Note; (ii) any change in the time, manner or place of payment or performance, or in any term, of all or any of the obligations hereunder or any other amendment or waiver of or any consent to any departure from any provision herein; or (iii) any release of or modifications to or insufficiency, unenforceability or enforcement of the obligations of any guarantor or other obligor. To the extent permitted by law, Borrower hereby waives any rights under any valuation, stay, appraisal, extension or redemption laws now existing or which may hereafter exist and any other circumstance which might otherwise constitute a defense available to, or a discharge of any party with respect to the obligations of Borrower hereunder.

11. No Right of Set-Off. As of the date hereof, Borrower represents that it has no claims or offsets against Lender in breach of contract, breach of warranty, express or implied, negligence or for any other type of legal action under this Note or otherwise.

12. Subordination.

(a) Lender agrees that the obligations represented by this Note shall be in all respects subordinate in payment and junior in priority to all indebtedness, liabilities and other obligations (collectively, the "Senior Debt") and the holders of such Senior Debt, the "Senior Creditors") owing under the Senior Credit Agreement and the other agreements, instruments and documents executed and delivered in connection therewith, as amended, modified or increased (collectively, the "Senior Debt Documents").

(b) Until all Senior Debt shall have been paid in full in cash and all commitments to advance Senior Debt have terminated, (i) no payment may be made on this Note, whether of principal or interest or other obligations, at any time that the "Effective Advance Rate" (as defined in the Senior Debt Documents) exceeds 95% or an "Event of Default" (as defined in the Senior Debt Documents) exists, (ii) the Lender shall not (A) take any action or exercise any remedy against the Borrower under this Note (other than the imposition of the default rate of interest as set forth herein); or (B) commence, or join with any other creditor of the Borrower in commencing any insolvency or similar proceeding against the Borrower (iii) the Lender waives all rights of subrogation, reimbursement and any similar rights with respect to the indebtedness evidenced by this Note and (iv) any and all liens and security interests of Lender in any collateral shall be and hereby are subordinated for all purposes and in all respects to the liens and security interests of the Senior Creditors in such collateral, whether or not valid or perfected, regardless of the time, manner or order of attachment, grant or perfection of any such liens and security interests and regardless of any provision of the Uniform Commercial Code of any jurisdiction or any other law or any other circumstance.

(c) In case any funds shall be paid or delivered to the Lender in violation hereof, such funds shall be held in trust by the Lender for, and paid and delivered to, the Senior Creditors (in the form received, together with any necessary endorsements) upon demand.

(d) The priority of the Senior Debt (whether or not such amounts are deemed allowable or recoverable) set forth above shall continue during any insolvency, receivership, bankruptcy, dissolution, liquidation, or reorganization proceeding, or in any other proceeding, whether voluntary or involuntary, by or against the Borrower, under any bankruptcy or insolvency law or laws.

(e) The Lender expressly waives all notice of the acceptance by any Senior Creditor of the subordination and other provisions of this Note.

Without limitation of the foregoing, the Senior Creditors (including, without limitation, the Administrative Agent under the Senior Credit Agreement) are express third party beneficiaries of the terms and conditions contained in this Section 12 and shall be entitled to enforce such terms and conditions directly, as if they were parties to this Note. Furthermore, until all Senior Debt shall have been paid in full in cash and all commitments to advance Senior Debt have terminated, this Section 12 may not be amended, restated, supplemented or otherwise modified without the prior written consent of the Administrative Agent and the Required Lenders (as defined in the Senior Credit Agreement).

13. Notices. Any notice pursuant to this Note must be in writing and will be deemed effectively given to another party on the earliest of the date (a) three (3) business days after such notice is sent by registered U.S. mail, return receipt requested, (b) one (1) business day after receipt of confirmation if such notice is sent by facsimile, (c) one (1) business day after delivery of such notice into the custody and control of an overnight courier service for next day delivery, (d) one (1) business day after delivery of such notice in person and (e) such notice is received by that party; in each case to the appropriate address below (or to such other address as a party may designate by notice to the other party):

If to Borrower:

FlexShopper, LLC
2700 N. Military Trail, Suite 200
Boca Raton, FL 33431
Attn: Brad Bernstein

If to Lender:

14. Severability. Any provision of this Note that is determined by any court of competent jurisdiction to be invalid or unenforceable will not affect the validity or enforceability of any other provision hereof or the invalid or unenforceable provision in any other situation or in any other jurisdiction. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

15. Counterparts. This Note may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Note constitutes the entire contract among the parties relating to the subject matter hereof and supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Delivery of an executed counterpart of a signature page of this Note by telecopy or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Note.

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed, and Lender has accepted this Note, as of the day and year first above written.

Borrower:

FLEXSHOPPER, LLC

By: _____
Name: Brad Bernstein
Title: CEO

ACCEPTED:

Lender:

By: _____
Name: _____
Title: _____

Exhibit A to Subordinated Promissory Note

Advancement/Payment Schedule

Date

Amount Advanced

Principal Payment

Principal Balance

Subsidiaries of Registrant

FlexShopper, LLC is a limited liability company formed under the laws of the State of Delaware in June 2013.

Anchor Funding Services, LLC is a limited liability company formed originally in South Carolina in January 2003 and later reincorporated in North Carolina in August 2005. The operations of Anchor are shown as discontinued operations.

FlexShopper 1, LLC and FlexShopper 2, LLC are wholly-owned subsidiaries formed under the laws of the State of Delaware in the first quarter of 2015.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of FlexShopper, Inc. on Form S-3 (No. 333-219017) and S-8 (No. 333-203509 and 333-210487) of our report dated March 8, 2018, on our audits of the consolidated financial statements as of December 31, 2017 and 2016, and for each of the years then ended, which report is included in this Annual Report on Form 10-K.

/s/ EisnerAmper LLP

EISNERAMPER LLP

New York, NY

March 8, 2018

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Brad Bernstein, certify that:

1. I have reviewed this annual report on Form 10-K of FlexShopper, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2018

/s/ Brad Bernstein

Brad Bernstein
Principal Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Russ Heiser, certify that:

1. I have reviewed this annual report on Form 10-K of FlexShopper, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2018

/s/ Russ Heiser

Russ Heiser
Principal Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Annual Report of FlexShopper Inc. (the “registrant”) on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “report”), I, Brad Bernstein, Chief Executive Officer of the registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

March 8, 2018

/s/ Brad Bernstein

Brad Bernstein

Principal Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Annual Report of FlexShopper Inc. (the “registrant”) on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “report”), I, Russ Heiser, Chief Financial Officer of the registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

March 8, 2018

/s/ Russ Heiser

Russ Heiser
Principal Financial Officer